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Reagan Nominee Says SALT Talks Nine Months Off

By Michael Getler

WASHINGTON - Eugene V. ostow. President Reagan's nomi-e to head the U.S. Arms Control id Disarmament Agency, has esnated that the administration ill not be in a position to enter gotiations with Moscow on reteing strategic nuclear weapons r at least nine months.

Mr. Rostow's comments at his nate Foreign Relations Commiton Monday provided a new hlic timetable, even though a eliminary one, for such talks. it the committee chairman, Sen. tarles H. Percy of Illinois, made clear that he felt nine months is too long to wait "for one of e most crucial and critical areas : have to deal with."

Sen. Percy, a Republican, cited a agan campaign statement of Oc-ber, 1980, recalling that Mr. eagan had said that "as presint. I will make immediate prepa-tion for negotiations on a SALTtreaty." The senator said that any people based their support Mr. Reagan on that statement.

Preliminary Contacts

1. ... :: U.S. allies also view the strategic ms talks as crucial, Sen. Percy id, and going part way into the cond year of a Reagan presidento even begin them was a long ne to wait. "How long are we ing to delay this process?" Sen. rcv asked.

Earlier this month, administra-n officials revealed that prelimiry contacts on the arms issue been made. They said that retary of State Alexander M. ig Jr. and the Soviet ambassa-r to Washington, Anatoli F. Donin, had arranged for high-level-ks during the summer to prere for an autumn meeting beeen Mr. Halg and the Soviet forms secretary. Andrei A. Gro-

Mr. Rostow said, however, that was going to take nine months or. to reach a point where the Unit-States knew what it was trying achieve and what kind of pro-reals to make. Although the ad-tified by the Senate.

ministration has had an interdepartmental study group on arms control set up since February, Mr. Rostow told the panel that "as of this moment, I don't know anybody in this government with whom I've talked who knows what it is we want to negotiate about."

Truman Doctrine

He called the issue extremely complex and said that proposals made in haste and without a thorough intellectual basis could easily founder. A Yale law professor and a Democrat who served as undersecretary of state in the Johnson administration. Mr. Rostow also laid out U.S. policy toward Moscow on arms and other issues in some of the most specific terms used thus far by the Reagan ad-

Mr. Rostow called for a policy, to be developed in conjunction with U.S. allies, that would link arms limitation negotiations to the effective revival of the Truman Doctrine" of containing the Soviet Union by "collective selfdefense against aggression." It also would require Moscow to accept the rules of the UN Charter re-

garding international use of force. He suggested that proposals for large arms cutbacks on both sides might be feasible, perhaps start-ing with the largest missiles." The Reagan administration is known w be interested in proposals involving big mutual reductions in missiles. Even though Carter administration proposals along those lines were dismissed by Moscow in 1977, Mr. Rostow said that "no American administration could reject such a possibility out of hand" because "the world is becoming so unstable ... that agreements which now seem hopelessly quixotic may well become practical poli-

Mr. Rostow also suggested that to signal continued U.S. interest in arms control, the administration should support the Threshold Test Ban Treaty and the treaty on use of underground nuclear explosions for peaceful purposes, negotialed with Moscow hy the Nixon and Ford administrations but never ra-



French Socialist Party Secretary Lionel Jospin, left, and Georges Marchais, the Communist leader, shaking hands after their discussions on the next Cabinet ended early Tuesday morning.

2d Hard-Line Pro-Soviet Group Emerges Within Party in Poland

or check the reforms since last

By Brian Mooney

WARSAW — A new group of hard-line Communists approved by Moscow emerged in Poland on l'uesday in what appeared to be a stepped-up campaign against the Polish party's reformist majority.

Poles were informed about the group, the Poznan Communist Fo-rum, in a Tass report that was published in major dailies, Informed Soviet sources said the

Poznan forum was founded a week ago in sympathy with a similar unofficial forum in Katowice, which issued a statement Monday night attacking liberal trends in the official mass media.

Until the Tass report Tuesday, there had been no mention of the Poznan forum in the Polish press.

summer's labor revolt, have found only a small consutuency in Poland but they are receiving increasing support from elsewhere in the

 Poland has asked \$500 million in emergency aid from Com-mon Market states. Page 2.

visible mainly in the mass media. was clearly linked to next month's special party congress, which is ex-pected to sanction most of the democratic gains of the last 12

Western diplomats in Warsaw said that with the congress sched-uled to begin in three weeks, on July 14, they expected the pressure

About 80 percent of the delegates being elected to the congress are newcomers and the meeting seems certain to result in substantial changes in the ruling party's upper echelons. But informed party sources said

they did not expect the congress to produce any spectacular departures from Communism that could strain Kremlin patience beyond the breaking point. Both the Poznan and Katowice

groups have issued warnings against radical trends in the ruling party and the Poznan group appealed to the delegates to elect leaders who would guarantee orthodox Marxism. The two groups have both criti-cized the official media in an at-

tempt to persuade the party leader. Stanislaw Kania, to carry out his promises to crack down on anti-Communist tendencies in the

The Poznan forum, which the Soviet sources said had 400 members, called on the authorities 10 fire editors and reporters responsi-hle for anti-Communist tenden-

It echoed Monday night's statement hy the Katowice forum. which charged that it had not been given a fair hearing in the official

The Polish press has become the freest in the Soviet bloc and its journalists are led hy a Communist reformer, Stefan Bratkowski, who has a wide following.
Soviet-bloc criticism has also

been leveled against publications of the Solidarity trade union move-

The chairman of the Polish-So-

Wronski, said Monday that Solidarity's publications were promoting a wave of anti-Soviet sentiment in direct contradiction to the un-

Solidarity said Tuesday that the Soviet-bloc pressure on Poland, editor of one of its regional hulletins had been summoned by a prosecutor in the town of Pila for alleged infringement of the 1946 censorship law. The summons was believed to be the first of its kind against the union.

Meanwhile, the Radom branch of the National Unity Front appealed to the Sejm (parliament) to withdraw the mandate of deputy Janusz Prokopiak, former party chief in the region.

The front, a government-spon-sored umbrella organization, acted under pressure from the local Soli-Prokopiak responsible for the brutal suppression of a workers' protest in Radom in 1976.

Bulgaria Accuses Polish Leaders

VIENNA (AP) - Bulgaria lodged a strong complaint against Poland's Communist leaders Tuesday, accusing them of being unable to act against "adversaries of Socialism.

Commentator Alexander Alexiev said in a dispatch carried by Bulgaria's official news agency that "true patriots" in Poland were calling for a "counterattack against reaction."

The commentary came less than 24 hours after disclosures that hoth Bulgaria and Hungary had sent special missions to Warsaw to urge a crackdown along Soviet-demanded lines.

Ghana Reports Heavy Fighting

ABIDJAN, Ivory Coast - Hundreds of people, including chil-dren, have been killed in fighting at Bimbila in eastern Ghana, Ac-

cra radio said Tuesday. The radio, monitored in Ahidjan, said members of a "rescue regiment" had been flown from Accra

to deal with the situation.

At the end of April and hegining of May, about 600 people were killed in lighting between Kokom-ha and Nanumha tribesmen in the same area, 235 miles (375 kilometers) north of Accra.

INSIDE

Envoys Ousted

diplomats and declares four others, no longer in the country, persona non grata, al-legedly for spying. Page 3.

U.S. Tax Bill

Committee approves three mafor provisions of a tax-relief bill, including a cut to 50 per-cent from 70 percent in the maximum tax rate individuals pay on investment income.

Luxembourg

banking and finance in Luxembourg appears on Pages 7S-

French Government Names 4 Communists To Ministerial Posts

By Jonathan Kandell

PARIS — The Socialist govern-ment named four Communists to the Cabinet on Tuesday, making France the first major Western country to invite Communists into national office since the reconstruction years immediately fol-lowing World War II.

The appointment of the four officials was announced after the Communist leadership signed an accord with the Socialists retreating on some of its pro-Moscow positions in foreign affairs and aligning itself more closely with Presi-dent Francois Mitterrand's poli-cies at home and abroad.

The Communists named to Prime Minister Pierre Mauroy's Cahinet included: Charles Fiterman, minister of transport: Anicet Le Pors, minister of administrative reforms; Jack Ralite, minister of health; and Marcel Rigout, minis-ter of vocational training.

None of the posts are considered to be among the major minisrries. As part of his Cahinet shuf-fle, Mr. Mauroy also appointed Robert Badinter, a distinguished Socialist lawyer, as minister of justice, and Pierre Dreyfus, a Socialist who once directed the state-owned Renault automobile company, as minister of industry. Mr. Dreyfus replaced Pierre Joxe, a Socialist whose more radical opinions had drawn criticism from the husiness

The decision to bring Commu-nists into the government may unsettle France's allies abroad and private investors. By coincidence, Vice President Bush is scheduled to arrive in Paris for a one-day visit on Wednesday and will meet with Mr. Mitterrand and other government officials.

Security Risk Feared

Some Western officials believe that the appointment of Communists to even minor Cahinet posts entails a security risk. There are also fears that the decision could set a precedent for Italy, where the Communists are far stronger than in France.

Among investors, particularly conservative Arabs who bold large accounts in France, the inclusion of Communists in the Cabinet might strengthen fears that the

ward.

But Mr. Mitterrand and his Socialists have argued that the Communists emerged from the recent National Assembly elections in such a weakened state that they have no power to determine govemment policies or block legislative programs.

The president is said to feel that inviting the Communists into office, he will encourage a more moderate conduct by the party, pay back his debt to the several million Communist voters who helped to elect him, and forestall any future moves by a disgruntled party leadership to stir trouble in the trade-union movement where Communist influence remains

Socialist leaders have also mainrained that Communist ministers

country is veering sharply left- would have no access to sensitive foreign-affairs or military informa-

> Georges Marchais, the Communist secretary-general, and other Politburo members pressed for a role in the government to salvage in part what has been a disastrous political turn for the party. In the recent presidential and legislative elections, one-fourth of Communist voters abandoned the party's candidates in favor of the Socialists. Dropping to its lowest electoral levels in 45 years, the party gained only 44 seats in the 491member National Assembly, about half its total in the previous legisla-

Mr. Marchais is now expected to try to quell dissatisfaction in the Communist ranks by arguing that internal disputes should be set

[Continued on Page 2, Col. 3]



Bani-Sadr Said to Stay in Iran

By Barry May

TEHRAN — Aholhassan Bani-Sadr, who was dismissed Monday as president of Iran hy Ayatollah Ruhollah Khomeini, was still in the country Monday night, the Tehran revolutionary prosecutor said Tuesday. "He has probably not yet gone

out of the country, the prosecutor, Assadollah Lajverdi, said at a news conference in Tehran's Evin Prison following an announcement that nine more opponents of the government had been executed by firing squads Monday night.

A powerful bomb exploded early Tuesday morning in the railway station of Qom. 80 miles (130 kilometers) south of Tehran, killing four persons and wounding 58, the state radio reported. Qom is the main center of the ruling Shiite

Moslem clergy.

At least 32 persons have been executed since the weekend, when factional violence over Mr. Bani-Sadr in the streets of Tehran re-sulted in 25 deaths.

The executions followed swiftly, and Ayatollah Mohammadi Gilani, the judge who signed the death warrants, said at the prison news conference that the accused were infidels and must be executed." He added that opposition to

Iran's Islamic regime was suffi-cient to judge a person an infidel. He denied that children aged 13

and 14 were among those executed. "None was less than 17." he said. "but in any case, on the hasis of Islam, a 9-year-old girl is considered mature." Mr. Laiverdi, the Tehran pro-

secutor, said about 400 people had

 The Iranian spotlight is now on Ayatollah Mohammed Beheshti, head of the Islamic Republican Party. Page 3.

been arrested in the weekend clashes and 25 of them had been executed. He said the revolutionary court had forgiven all who had repented, but he did not say how

many had been freed. He said 25 friends and colleagues of Mr. Bani-Sadr had been

arrested but not yet charged. He did not identify them. If Mr. Bani-Sadr is arrested, Mr.

Lajverdi said, it is possible he will be pardoned. "But of course, it is possible he will he punished, certainly." he added.

The prosecutor denied a report that he had ordered the arrest of former Foreign Minister Sadegh

members of the Revolutionary Guard and security centers had a general order permitting arrests in emergencies. The Tehran Times said that Mr.

Ghotbzadeh, a supporter of Mr. Bani-Sadr, had been arrested Monday. A spokesman for Mr. Ghotbzadeh said the report was false, but he said he had no information on the former foreign min-

ister's whereabouts. The revolutionary prosecutor of two western provinces was quoted by the newspaper Islamic Republic as saying that Mr. Bani-Sadr was in western Iran. There was no official reaction to reports from Cairo

that Mr. Bani-Sadr was there. Protest in Hamburg

HAMBURG (Reuters) About 30 Iranian men overran the Iranian Consulate in Hamhurg on Tuesday, smashing offices and destroying portraits of Avatollah Ruhollah Khomeini, the Iranian leader, police said.

The men, most of whom fled be-fore police arrived, said the action was to protest the execution in Iran of 23 leftists, including the writer Savid Soltanpour. In Paris, about 300 Iranian students demonstrated outside the Iranian Emhassy against repres-

Caribbean Aid Plan Faces Test

"If anyone thinks that economic

Ghothzadeh, hut he noted that

By Alan Riding New York Times Service
MEXICO CITY — Despite the

unexpected agreement by Presi-dent Reagan and President José López Portillo of Mexico in their talks earlier this month to work out a joint economic aid package for the Caribhean basin, the iniuative faces formidable political dif-

In reality, the much-vaunted assistance plan for the region is still at an embryonic stage, with the World Bank, the Inter-American Development Bank. Venezuela and Canada eventually expected to join the United States and Mexico in financing and implementing it.

Yet questions are already being raised in the region about the viability of a plan that seeks to isolate economic problems from the sharp political differences that exist, not only within and between the countries of the area but also among potential aid donors.

aid can resolve the political crises in El Salvador and Guatemala, they're simply naive," a regional economist said, citing two Central

NEWS ANALYSIS American countries polarized by

extremist violence.

Further, while the Reagan administration initially portrayed the economic development plan as a way to contain Communism, Mr. López Portillo insisted in Washington last week that it should not involve military aid, should not he directed against the Soviet bloc and should not exclude any country in the region, a clear allusion to the leftist governments in Cuba,

Nicaragua and Grenada. In a Washington briefing last weekend, an administration trade official argued that there was no impediment to Mexico's aiding the three leftist-governed countries since each donor nation would de sign its own program. He indicated that the United States would emphasize private investment and trade concessions in its own ap-

Corrent U.S. thinking is that the Caribbean program — unlike the Marshall Plan that helped rehuild Western Europe after World War Il and the Alliance for Progress that provided economic and military aid to Latin America in the 1960s — should not involve a single. American-controlled development fund but should coordinate existing and new bilateral aid pro-

Although the United States appears to recognize the new political role being played in the region by Mexico. Venezuela and Canada and is anxious that they share the financial hurden of the development plan, many officials in the

area are skeptical that enough (Continued on Page 2, Col.1)



SOVIET MEETING - President Leonid I. Brezhnev, bottom row at right, conferring with Premier Nikolai A. Tikhonov on Tuesday at the opening of a two-day session of the Supreme Soviet. In the middle row are Arvid Pelshe, head of the party control board, at left, and Mikhail Solomenstev, premier of the Russian Republic. In the top .ow are Yuri Andropov, head of the KGB security police, and Foreign Minister Andrei Gromyko. Details, Page 2.

Hua Reportedly Resigns at Party Meeting

Los Angeles Times Service PEKING — Communist Party nairman Hua Guofeng has re-ined, admitting "serious errors" leadership, at the start of a eeting of the party's policy-mak-g Central Committee, Chinese

urces report.

" Mr. Hua, who had fought for a ne to retain the post, is expected be succeeded by Hu Yaobang. e party general secretary and the inef lieutenant of Deng Xiaoping. ie party's powerful deputy chair-The 215-member Central Comuttee is also discussing a contro-

unt of Mao in an attempt to balnce his achievements and mis- in July. volutionary hut abrogating most his policies. Taken together, replacing Mr. session over the weekend, according to informed Chinese sources. The session is expected to con-· lua, a long-expected but still diffi-

differences on both questions de-layed the meeting for more than nine months.

Also on the Central Committee's agenda, the sources said Monday, are a reaffirmation of the policy followed for the past 21/2 years under Mr. Deng's leadership. particularly the restructuring of the country's economy and his proposals for reorganizing the par-

A full review of Chinese foreign and Western Europe, has also been drafted for the Central Commitrisial and long-delayed assess- tee's consideration, the sources said, and will probably be issued

policy, especially the emerging alliance with the United States, Japan The meeting began last week

with a preliminary discussion of all

the issues and went into formal

assessment will mark the end of clude later this week, with the Mao

assessment to be issued on the party's 60th anniversary, July 1. Government spokesmen said Monday they could not comment on these accounts of the meeting

nor even confirm yet that the for-

mal session had begun. Usually

well-informed officials said that the meeting was being held under heightened secrecy because of the

controversy surrounding several

questions, including the Mao appraisal and the replacement of Mr. Deng's Consensus Mr. Hua's resignation at the outset of the meeting was reportedly accepted by a large majority in a vote of Central Committee members, demonstrating the success Mr. Deng has had with com-

his consensus over the past six Mr. Deng had sought in replace Mr. Hua, Mao's chosen successor. with Mr. Hu last autumn and even

promise and ezjolery in rebuilding

step aside, but the deal collapsed when Mr. Hua accused Mr. Deng of reneging on its terms. The prin-cipal issue, Chinese sources said then, was the harshness of the proposed Mao assessment and the degree to which Mao's policies were to be ahandoned. Mr. Deng convened a series of

major conferences through No-

vember. December and January in an attempt to force Mr. Hua out.

charging him with opposing the country's new, post-Mao forces. But Mr. Deng encountered intense resistance within the party bureaucracy and the military and among groups that supported his goals but objected to his tactics. The setback, by far Mr. Deng's greatest since he returned to power after the Cultural Revolution. threw the country into political

Preparations for the current (Continued on Page 2, Col. 6)

turmoil, requiring extensive efforts

Zamhia expels two senior U.S.

The U.S. Senate Finance

A special supplement on

Swiss Asked to Save Romansh 4th Language Fast Becoming Dead One, Study Says

United Press International - Switzerland's fourth language.

Romansh, is becoming extinct. The two dialects of this descendent of Latin can still be heard in the mountainous canton of Graubunden in eastern Switzerland. But only about 32,000 of the canton's 165,000 inhabitants speak it, compared with 44,000 just 20 years ago and more than 100,000 before World War II. Newspapers and magazines written in Romansh bave all

An appeal has been made to the Swiss govern-ment to save Romansh by making it an official as well as a national language. German, French and Italian are the country's official languages, and all are used in the parliament. Swiss citizens can use any of them to communicate with authorities.

Romansh, although the fourth national language, lacks such official status. "If nothing is done to correct the situation within the next 10 years. Romansh will be clinically dead inside one generation," the government has been warned in a report by the Rhaeto-Roman Institute, a private foundation.

The report was written by Jean-Jacques Furer. a Swiss linguist. "Romansn is disappearing because it is useless, and it is useless because it has been deprived of its usefulness." Mr. Furer said.

People in the more remote and poorer villages where the language is mainly found are increasingly moving to the towns to find work, be said. There they have to speak German - the language of 65 percent of the 6 million Swiss - and give up Romansh, which everyone else finds incom-

The report recommended several urgent steps

steps to save the language, including:

Recognition of Romansb as an official lan-

· Permission for Romansb to be used in schools and for examinations to be taken in the

 Creation of a Romansh university. • Financial assistance for the establishment of small factories and other enterprises in the Romansh-speaking areas, so that residents will

not have to leave. · Government funding of a Romansb newspa-

Romansh is part of a small group of languages called Rhaetian, after the Rhaetian Alps along the Swiss-Italian border. Its two dialects, Sursilvan and Sutsilvan, are spoken on either side of the Rhine valley — Sursilvan on the western bank and Sutsilvan on the eastern bank.

and regional elections showed So-

cialist gains averaging nearly 4 per-cent over the previous elections in

Other small, non-Catholic par-ties that formed part of recent coa-

litions — the Social Democrats

and Liberals - also registered

The Christian Democrats, Italy's

largest party, lost ground in most

places, but not to the extent that some political commentators ex-

pected in view of the recent wide-

spread outcry against the party be-

cause of recurring political corrup-

The Communist Party lost beav-ily in southern Italy and Sicily, but

held its own in Rome and northern

ftaly. The voting indicated that many Italians who normally vote

Communist had switched to the

tion scandals.

Craxi Sees Vote as Aid to Cabinet Effort

ROME - Bettino Craxi, the Socialist leader said Tuesday that the strong showing of his party in the weekend local elections was an indication of support for Giovanni Spadolini's attempt to form a new

"I hope the premier-designate will present his list of ministers as soon as possible," Mr. Craxi said as he emerged from a two-bour consultation with Mr. Spadolini, the premier-designate and Repub-lican Party leader.

The statement ended speculation that Mr. Craxi, after the Socialist election gains, might with-draw his support from Mr. Spadolini in an attempt to force new na-

But Mr. Craxi, whose withdrawal of support forced Arnaldo Forlani's resignation as premier May 26, said it was his impression that local elections gave Mr. Spadolini's government-forming efforts a

"strong acceleration." Overall results in the voting by nearly a quarter of the Italian electorate in city council, provincial

Political Problems Seen Over Caribbean Aid Plan

(Continued from Page 1)

common political ground can be

found for the plan to succeed. However, with the economic crisis in Central America provoked by high oil-unport bills and depressed raw-material prices, there are signs that with the exception of Guatemala, the governments of the region may be willing to put aside their political differences in favor of a common economic strategy aimed at reviving the near-defunct Central American Common Market.

An economic analyst noted that the military government in Hondu-

Liberia Detains **Soviet Freighter** To Check Cargo

MONROVIA, Liberia — The Li-berian authorities have detained a sales to Guatemala after a four-year break. It has also suspended Soviet cargo vessel oringing munications equipment for the Soviet Embassy here.

Col. Larry Borteh, chairman of the military government's national security committee, said Monday that the 6,551-ton Ivan Byelostotskiy would not leave until Liberian experts had checked the equipment. He gave the order after a sharp exchange of words at Monrovia's free port with the Soviet charge d'affaires, who sbouted "sheer nonsense" as Col. Borteh spoke.

The incident followed the departure earlier in June of 13 Soviet diplomats and wives after Liberian told the Soviet Embassy to reduce its staff.

The Soviet vessel berthed bere last Thursday. The next day its crew decided to unload three cases of communications equipment port sources said. But the cargo was intercepted by a warehouse supervisor on the grounds that it was near closing time, and a scuffle broke out between the Soviet crewmen and the Liberian port work-

On Monday, Col. Borteh and Foreign Ministry officials went to the free port and demanded to see the cases. The Soviet charge d'af-faires said that since the equipment had been for the diplomats who had left Liberia, it would now be taken back to Moscow.

Earthquake Strikes Peru

The Associated Press LIMA - An earthquake measuring 5.1 on the Richter scale struck Monday near Vinchos in southern Peru, killing at least one person, injuring dozens and hundreds of buildings. ens and collapsing

ras, the democratic authorities in Costa Rica and the revolutionary government in Nicaragua all faced the same economic problems.

In El Salvador and Guatemala, economic crises have been brought on by internal political strife. With military-backed governments in both countries committed to crushing leftist insurgencies, many diplomats in the region believe that economic aid will have little effect until political stability is re-

The sharpest political differences among potential donor coun-tries involve Central America. where the United States and Mexico, in particular, are at loggerheads over the causes of and answers to the political violence in El Salva-dor and Guatemala.

Blaming Cuba for the leftist in-surgencies, the Reagan administration has increased economic and military aid to El Salvador and Honduras while resuming arms economic aid to Nicaras reprisal for its alleged aid to Salva-

doran guerrillas. Mexico, on the other hand, has increased assistance to Nicaragua and has strongly criticized Ameri-can policy in El Salvador, arguing for a political settlement between the U.S.-backed junta and the Marxist-led Democratic Revolu-

tionary Front. Although American officials have assured Mexico that military aid would not be part of the regional development plan, Mexican officials are nevertheless concerned about the continuing U.S. preoccupation with security ques-

We can't associate ourselves with Washington on an economic program if we are working at cross-purposes politically," a Mexican official said.

End Is Proposed To Madrid Talks

MADRID - Switzerland's chief delegate to the long-stalled Conference on Security and Cooperation in Europe has said that the conference to review the 1975 Helsinki accords was losing credibility, and he asked that it conclude its work

At a plenary session on Monday of the 35-nation conference, which started in November and is almost four months beyond its original closing date, Swiss delegate Guido Brunner offered a resolution asking delegates to "express determination that the meeting should conclude its work by mid-July in a positive and substantive manner."

by the middle of next month.

Socialists or the smaller non-Catholic parties. End of Polarization

Political commentators said that the results marked the beginning of the end of the polarizing of the Italian vote between the Christian Democrat and Communist parties. Most of the credit for this went to Mr. Craxi, who has ended his party's former role as a junior to the Communists and led it on a

Atlanta Suspect Is Denied Bond

moderate course.

United Press International ATLANTA - Wayne B. Williams was ordered beld without bond Tuesday for grand-jury action after a crime laboratory technician said libers and dog hairs found in Mr. Williams' home matched those found on the body of the latest of 28 young blacks slain in Atlanta.

At the end of a three-hour preliminary hearing before County Magistrate Albert Thompson, Mr. Williams was bound over to the county grand jury on charges of killing Nathaniel Cater, 27.

Mr. Thompson ordered Mr. Williams, a 23-year-old free-lance photographer, held in the county jail without bond. Authorities said the grand jury was expected to consider the charges against Mr. Williams within 30 days.

Poland Asks EEC States For Money

\$500 Million Sought In Urgent Assistance

LUXEMBOURG - Poland has asked European Economic Community governments for \$500 million in urgent financial assistance to help it service its debts and get new international credits, community sources said Tuesday.

The Polish requests have been made to individual governments in the last few days. Britain, France, West Germany and Italy have all been contacted, the sources said.

The requests came before a meeting Wednesday in Paris at which a group of international banks will try to reach agreement on extending repayment of \$2.37 billion in commercial loans to Poland falling due this year.

EEC foreign ministers discussed the Polish aid requests in informal talks in Luxembourg on Monday night, and EEC sources said Poland would be a major topic at a community summit in Luxem-bourg on June 29-30.

Coordination

Foreign Minister Christoph van der Klaauw of the Netherlands, the head of the EEC Council of Ministers, said that he had urged governments to coordinate their response to the Polish requests on

a community basis. Dutch diplomatic sources said next week's summit would proba-bly agree on a new aid package for Poland. But they said the timing had to be handled carefully, before the opening of the Polish Commu-

nist Party congress on July 14.
The EEC has already provided Poland with food at reduced prices and helped to promote some res-cheduling of the country's heavy international debts.

In Paris, 19 banks representing Poland's 460 creditor banks will try for the second time to agree on financial relief for Poland from its loan repayments, banking sources

Poland, with total debts of \$15 billion to commercial banks, is grappling with a deep economic crisis as Moscow continues heavy psychological pressure over the democratic reforms of the past

In April, Warsaw secured an ex-tra eight-year breathing space on repayments due this year of \$2.6 billion of official loans from 15 Western governments.

The terms, which included deferring repayments of both principal and interest payments, were seen as generous by many private bankers who insist on the maintai-nance of interest payments as a condition of postponing capital re-

Wednesday's meeting will seek close the gap between U.S. banks on the one hand and European and Jananese banks on the other over the time period for any

sources said. Many European creditors favor rescheduling the debt over seven to eight years with interest set at between 1% percent and 1% percent above the rate now charged in interbank deals in London, the sources said. U.S. banks will push for a freeze on repayments of Polish debt principal for this year only, while the Poles are asked to furnish detailed information on their economy and outstanding



Presidents Babrak Karmal of Afghanistan, left, and Gustav Husak of Czechoslovakia listening to their countries' national anthems just after Mr. Karmal's arrival in Prague on Tuesday.

EEC Backs Britain's Plan For Afghan-Pullout Talks

LUXEMBOURG — The European Economic Community launched an Afghanistan peace initiative Tuesday, proposing an in-ternational conference that would negotiate a Soviet withdrawal from

Afghanistan. Foreign Minister Christoph A. van der Klaauw of the Nether-lands, president of the EEC Council of Ministers, said that the British ambassador in Moscow had formally proposed the conference

to Soviet leaders on Tuesday. Mr. van der Klaauw declined to give details of the plan, but he said that all EEC members had endorsed it at a meeting of foreign

"We think the whole question of Afghanistan remains very import-ant, and we should try a solution," Mr. van der Klaauw said after the meeting. "Whether we will be successful we will see, but we must

Conference sources said that the plan had been offered by Lord Carrington, the British foreign secretary, who will become chairman of the EEC council on July 1.

The conference would include

the five permanent members of the UN Security Council - Britain, France, the United States, China and the Soviet Union. Afghanistan, Iran, Pakistan and India would also be invited.

Conference sources said that the plan would be discussed by EEC heads of government at a summit meeting in Luxembourg next week and that if the proposed partici-pants agreed, the peace conference could open in the fall.

They said that Lord Carrington made the proposal in an attempt to revive international public concern for the Soviet intervention, which began in December, 1979.

Lord Carrington told the foreign ers he was concerned that the Soviet intervention might become an accepted fact unless the international community revived attempts to bring about a political solution to the warfare.

Refugee Flow Rises

ISLAMABAD, Pakistan (AP) -More than 2 million Afghan refugees have registered with the Pakistani government, nearly one-third of them during the first five

official figures released Tuesday.

Soviet intervention.

tion, said here that the 30-year-old pilot. Mikhail Semyonovich, had been overpowered on June 17, two days after he and his co-pilot bailed out of their MiG near Chaprahar in eastern Afghanistan.

months of this year, according to

ISLAMABAD. Pakistan (AP) An Afghan insurgent group claimed Tuesday to have captured the first Soviet pilot alive since the

Maulvi Younis Khalis, leader of Hezbi-Islami (Islamic Party) fac-

meeting, as a result, have been mericulous. Each item of the agenda has been discussed down to the grass-roots level of the party, every major political interest has been consulted, compromises have been

'Anti-Climactic'

"For something rather momentous, this is actually anti-climac-tic," a well-informed Chinese said Monday. "We have known for six months that Hua would go and that Mao would be criticized for his mistakes, and now that it is happening, nobody is surprised. This, of course, is what Deng wanted,"

Despite the wide acceptance now of Mr. Hua's departure, a senior Chinese official urged Monday that reports of his resignation be treated with some caution. "The Central Committee is supreme, and it might after discussion decide not to go along with the arrangement the leadership has made," he said. "That has happened before. Nothing is settled

been controversial because he is a symbol of the leftists who rose to power during the Cultural Revolution. Party and government officials have feared that if Mr. Hua were forced out, they would be forced out also. He was also seen as the guardian of the Maoist legacy, and the officials felt that if he were to go, then China would no longer be following the course Mao laid down for it.

Mr. Hua, a relatively obscure provincial leader who curried Mao's favor by supporting his policies ardently and building up his native place in Hunan province, came to Peking only 10 years ago but was named - rather than Mr. Deng — to succeed the late Pre-mier Chou En-lai. Mr. Hua gave up the premiership last September to Zhao Ziyang, another Deng

Economic Problems

others after the Cultural Revolued from a crash development program launched in 1977.

Mr. Hua countered that much of the criticism was unfair, according still the party's guiding philoso-

Falls, Except for Aged The Associated Press

The agency report said 21,048

Brezhnev Says U.S. Evades Arms Talks; Western Push Urged

By Robert Gillette

Los Angeles Tones Service

MOSCOW — Leonid L Brezhnev, the Soviet leader, accused the United States on Tuesday of evading arms control talks and called on Western nations to press for prompt negotiations.

Mr. Brezhnev, speaking at the opening of a two-day session of the Supreme Soviet (parliament), blamed the United States for starting an "unprecedented" arms race that he said is raising the risk of nuclear conflict. "Bellicose-minded militaristic

circles, headed by American imperialism, launched an arms race unprecedented in scale," he said. They evade negotiations on restricting rearmament, on eliminating seats of conflict and on the peaceful solutions of disputed inernational problems."

Reading an appeal to Western legislatures, which the Supreme Soviet endorsed minutes later, Mr. Brezhnev said the "risk of nuclear conflict increases with every day lost for negotiations. The solution of vital problems confronting each people and all peoples is being shelved. Time does not wait."

15-Minute Speech

The 74-year-old Soviet leader walked stiffly but unaided to the podium in the Great Kremlin Palace to read his 15-minute speech, the third occasion in two weeks in which he has accused the United States of avoiding arms talks. While prodding Washington to resume negotiations, he implicitly urged Western Europe to resist a 1979 NATO decision to deploy 572 Pershing-2 and Cruise missiles, beginning in 1983, as a counterbal-

The charge that Mr. Hua could

The compromise that was

question of renewing the party leadership and establishing the

precedent that those who make

mistakes should take responsibility

maintained pressure on Warsaw on Tuesday by developing further the view that Poland occupies a position of special geopolitical im-portance for Soviet security. Writing in Pravda, Vitaly Ko-

ance to Soviet deployment of new SS-20 mobile missiles.

According to Western sources, Moscow has already fielded more than 160 of the missiles, each of

which carries three nuclear war-heads and has a range of 2,000 miles (3,200 kilometers).

"Launching pads are being pre-

pared for hundreds more nuclear

missiles in Western Europe," Mr.

Brezhnev said. He made no refer-

ence to Soviet deployment of SS-

20s, which Western experts have

said is proceeding at the rate of

The Reagan administration has agreed to open talks with the Russians later this year on limiting

sians later this year on limiting missiles in Europe while simultaneously going ahead with preparations for deployment.

The Supreme Soviet, which adopted Mr. Brezhnev's appeal just after the last speaker finished

praising it, is a body of 1,500 delegates that meets twice a year for

brief sessions to endorse party pol-

icies. Mr. Brezhnev did not men-

tion Moscow's most urgent foreign

policy problem, the movement for

Soviet news media, however

democratic reform in Poland

abont one missile a week.

rionov, a political commentator, said events in Poland threatened the postwar division of Europe, the cornerstone" of Soviet security.

Anti-Communists, Mr. Ko-rionov said, dream of a "Polish breach" that would lead to rolling back Socialism in Poland, restoring capitalism and "breaking the foundations of the postwar struc-ture in Europe," thus in effect negating the outcome of World War II.

He accused the United States and other Western countries of m-terfering in Poland "under the pre-text of protecting" it from external threats — an apparent reference to Western warnings against Soviet intervention in Poland.

Malaysian-Albanian Ties The Associated Press

KUALA LUMPUR — Malaysia and Albania have agreed to establish diplomatic relations at ambassadorial level, Foreign Minister Ahmad Rithauddeen said Tues-day. He also said Malaysia has recognized a change in the name of the Libyan Embassy to the Peo-ple's Bureau of the Socialist Peo-ple's Libyan Arab Jamahiriya.

WORLD NEWS BRIEFS

Haig Ends Asian Tour and Heads for U.S. The Associated Press

WELLINGTON, New Zealand - Secretary of State Alexander M. Haig Jr. left Tuesday for the United States, ending a diplomatic sweep through Asia in which he visited China, Hong Kong, the Philippines and New Zealand.

Mr. Haig ended his trip with a news conference at which he said an agreement on a Sinai peacekeeping force should be reached by July, and perhaps by the end of this month. The force is to act as a buffer between Israel and Egypt when Israel completes its withdrawal from the Sinai peninsula next April.

He said the United States was eager to have Australia and New Zealand participate, and it "would give us no problem" if one of those countries were to command the force. However, Foreign Minister Anthony A. Street of Australia said his government wanted more information about the force before deciding whether to contribute troops, and Foreign Minister Brian E. Talboys of New Zealand said, "We have virtually the same position."

Nearly 2.7 Million Now Jobless in Britain The Associated Press

LONDON - The number of unemployed people in Britain rose by 122.572 to 2,680,977 in June, double the total when Prime Minister. Margaret Thatcher was elected, according to government figures pub-

The new total, the highest number ont of work for half a century, is up from 2,558,405 in May and represents 11.1 percent of the work force. The figures were swelled by thousands of teen-agers leaving school. When Mrs. Thatcher's Conservative Party won the May, 1979, general

Dublin Court Sets Hanging for IRA Convict

DUBLIN - The Court of Criminal Appeal has set July 9 for the

However, legal sources said the death sentence would probably not be carried out because the next government is likely to commute it to a longprison term. Premier Charles J. Haughey's government set a precedent in capital-punishment cases last month by substituting 40-year terms for three men who were to be hanged for the murder of another police

Hanging was abolished in the republic 17 years ago except for the slaying of police officers, heads of state, diplomats and government leaders.

Pope's Illness Is Diagnosed as Pleurisy The Associated Press

ROME - Doctors performed more tests on Pope John Paul II on Tuesday but there was no new medical builtein, three days after the pope was readmitted to the Gemelli hospital with what has been diagnosed as

"The state of health of the pope is comforting," the Vatican newspaper L'Osservatore Romano said in Tuesday afternoon's edition. The newspaper then printed Monday's brief Vatican press release giving the diagnosis of the pope's illness as plentisy and saying he was getting

The pope has undergone X-rays, blood tests and a body scan to try to find the source of a persistent fever that sent him back to the hospital Saturday. Doctors said the fever has slowed his recovery from the at-

The Associated Press TURIN — Seven reputed members of the Red Brigades have been arrested here and in nearby Biella over the last few days in the latest police crackdown on the leftist urban guerrilla group, authorities report-

where they seized arms and documents listing a number of possible targets of terrorist attacks. Those arrested were charged with membership in armed bands and

trying to reorganize Red Brigades activities here. Three other alleged. Red Brigades members have been identified and are being sought, police

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lage are turning for this outstand audio cassette program
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aside and that the party should unite behind the government in the face of opposition from conserva-

The government accord between the Socialists and Communists was hammered out Monday night and Tuesday morning, and then approved by both parties' central

(Continued from Page 1)

committees. According to Jean Poperen, one of the Socialist negotiators, the ac-cord was "completely satisfactory" to his party. Mr. Poperen said the agreement was based on the premise that it was not possible for the Communists "to have two attitudes - to he in and out [of the

government] at the same time." "Those who fail to observe this rule will pay dearly, but after what has happened, I am convinced that

no one will risk that." he added. Abrupt About-Face

The agreement marked an abrupt about-face in some of the previous hard-line positions staked out hy the Communist Party on domestic and international affairs. "Some people will call this a capitulation," conceded Mr. Mar-chais. "I call it the continuation

3 Neo-Nazis Held As Police Search **Bavarian Retreat**

The Associated Press NUREMBERG - Three persons have been arrested so far and a search for evidence continues at a neo-Nazi château hideout in woods near bere, authorities said Tuesday.

The arrested persons were identified as Karl-Heinz Hoffmann, 43, founder of a movement called the "Defense Sport Group Hoff-mann," Odfried Hepp, 23, who investigators say received military training in Lebanon, and Franziska Birkmann, 34, a companion of Mr. Hoffmann and owner of the château. A Bavarian police spokesman said police were digging in the

grounds and combing the woods in

a search for weapons caches.

and development of the policy of the Communist Party. The Communist leaders agreed

with the Socialists that the country should respect its foreign alliances. including its role in the North Atlantic Treaty Organization, which is limited by the French decision under De Gaulle to withdraw from the alliance's integrated military

command. The two parties backed negotiations for a reduction of armaments in Europe, including theater nuclear weapons on both the U.S. and Soviet sides. Until now, the Communists supported Moscow's contention that the new Soviet SS-20 missiles pointed at Western Europe did not alter the nuclear halance, while the NATO decision to counter with the installation of

Cruise and Pershing-2 missiles represented an escalation.
The Communists, who had previously backed the Soviet occupation of Afghanistan, agreed with the Socialists that Soviet troops should be withdrawn and that all foreign intervention must cease

Support for Solidarity

Concerning Poland, the two par-ties expressed the bope "that the country and its people themselves bring to a successful completion the process of economic, social and democratic renewal in which they are engaged." This statement seemed to support the Solidarity movement and reject a possible Soviet intervention - again, an apparent change in the French Communists' strongly pro-Mos-

cow line On the Middle East, the accord stated that the two parties, taking into account the situation created by the Camp David agreements, reaffirm the right to existence and security of Israel and all states of the region at the same time as the right of the Palestinian people to a homeland." Like the Soviet Union, the French Communists had in the past denounced the Camp David process as a separate peace treaty between Israel and Egypt offering no hope for a broader Middle East

Within France, the Communists agreed to back the pace and scope Mr. Mitterrand's proposals for tax reforms and the nationaliza-

tion of the remaining private banks and a number of large industrial groups. For years, the Communists had been advocating far more extensive state control over the economy and heavier taxes on the wealthy than the Socialists had proposed. The Socialists also succeeded in wrenching promises from the Communists that the accord would

extend to relations between the

parties at municipal and regional

levels, where some of the hitterest

confrontations between the two

political groups have taken place De Gaulle invited two Communists into government — giving them the air and health ministries - in August, 1944, after the liberation of France. And the Communists were present in almost every French Cabinet until May, 1947 when Socialist Prime Minister Charles Ramadier expelled them for opposing the Marshall Plan for

the economic recovery of Western Elsewhere in Western Europe, Communists have in recent years held Cabinet posts in Portugal.

Burns Criticizes U.S. Attitude WASHINGTON (AP) - Ar-

thur Burns, President Reagan's

nominee as ambassador to West

Iceland and Finland.

OUT Ways.

Germany, Tuesday criticized the administration's stance on relations with Socialist France. To the best of my knowledge, we are extending a hand of friendship a bit grudgingly," Mr. Burns told the Senate Foreign Relations Committee. "I bope we'll mend

bearing on his ambassadorial nomination. "I wisely or unwisely have never been sympathetic to Socialism," Mr. Burns said earlier, "But at the same time, the French people have elected a Socialist president.

They've now clected a Socialist

"Perhaps I've already said too

much," be added at a confirmation

parliament. "It seems only good sense to me to hold out a hand of friendship to the French people, the French government and to be of what assistance we can to that government."

Soviet Pilot Reported Seized

Hua Is Said to Have Quit At Start of Party Meeting

(Continued from Page 1)

not answer, bowever, was that his resistance to the Deng majority within the leadership threatened to split the party, and this was proba-bly the decisive issue, according to informed Chinese sources. worked out to meet most of the reworked out during the spring for maining objections, and then the Mr. Hua's replacement reportedly process has been repeated. submerges the personal aspects of this debate to focus on the broader

until the meeting closes. The replacement of Mr. Hua has 4 Communists Named to French Cabinet

Mr. Hua has been strongly criticized over the past year for a leftist outlook and for resisting, even op-posing, Mr. Deng's policies, partieularly the break with Maoist ideology. He was accused, according to a document from a party conference in December, of delaying the rehabilitation of Mr. Deng and tion ended with Mao's death in 1976. Mr. Hua was also blamed for the economic problems that result-

to sources familiar with the party debate. Other members of the leadership also shared responsibility for the economic crisis, he renlied, and Maoist ideology was

Japanese Suicide Rate

TOKYO - The national police agency reported Tuesday that the number of Japanese who committed spicide decreased last year for the first time in 13 years but that an increasing number of elderly people are killing themselves.

persons killed themselves last year, down 455 from 1980, for a suicide rate of 1.8 per 1,000. Twenty-four percent of the suicides were among people aged 65 or older. The agency attributed these suicides to diseases and family and economic

election promising to fight inflation and curb union power, there were 1.3 million unemployed. Her government blames the world recession and the necessary streamlining of uncompetitive British industry for the fur-

execution of Peter Rodgers, 36, an Irish Republican Army activist who was convicted four months ago of killing a detective in the republic last.

Mr. Haughey has been trying to patch together a parliamentary majority since the elections of June 11, which left no party with a majority.

pleurisy, an inflammation of the membrane surrounding the lung.

tempt on his life in St. Peter's Square May 13. 7 Red Brigades Suspects Seized in Turin Area

Policemen said they also had discovered a hideout in central Turing

illegal possession of arms. Police sources said the suspects had been



oar wielded by Jimmy Carter on a pond near Plains in April, swore he had proof, but Carter aides would not release the 1979. The former president's tale of being attacked by a photo. The Associated Press obtained a copy of it this week.

RETURN OF BANZAI BUNNY - When last seen, the huge, hissing bunny - during Easter vacation, yet - caused "killer rabbit" of Plains, Ga., was swimming away from an a splash when aides leaked it. A White House photographer

Senate Panel Approves 3 Parts of Tax Bill

New York Times Service WASHINGTON — Without a senting vote, the Senate Finance mmittee has approved three ajor provisions of a tax-relief II, including a cut to 50 percent om 70 percent in the maximum trate that individuals pay on in-

Oriving hard toward the draftof a complete tax bill this ek, ahead of the House Ways 1 Means Committee, the senas also voted for an easing of inritance taxes and for the creon of a tax-exempt savings certi-ate that banks and thrift instituns would be allowed to sell for

The Republican chairman of the nmittee, Sen. Robert J. Dole of nsas, called the inheritance-tax vision a step toward complete cal, perhaps within two years. The committee's actions Mon-/ followed its approval last week the beart of the administration's proposal; income tax cuts for lividuals of 5 percent on Oct 1, 41, 10 percent on July 1, 1982,

and 10 percent again on July 1, need for a House-Senate confer-

Democrats on the House Ways and Means Committee have rejected the 1983 cut, and last week they adopted business tax-relief provisions markedly different from those proposed by the White which are likely to be adopted by the Finance Commit-

Sen. Dole has said that he hopes to finish drafting a tax bill by Thursday. The Senate Republican leader, Howard H. Baker Jr. of Tennessee, has hinted that the Senare might defy custom and vote on the Finance Committee bill before the House votes on its own tax

Investment Income Tax

Under prodding by the White House, Sen. Dole has been driving for early drafting as part of a larg-er strategy to enact a tax bill by Aug. 1. Although that goal seems ambitious, congressional aides said it could be accomplished if the House and Senate were to pass identical measures, avoiding the

Such a strategy would turn on the ability of the White House to muster enough Democratic votes in the House to defeat on the floor the bill being drafted by the Democratic majority on the Ways and Means Committee and to substitute an administration bill. The cut in the maximum rate on

investment income to 50 percent from 70 percent would take effect Jan. 1, 1982. The Senate Finance Committee also adopted a provision that would make the reduction effective June 10, 1981, for long-term capital gains. A Treas-ury official said the 50-percent rate would thus apply to long-term gains realized after June 9 for anyone whose 1981 tax bracket would exceed 50 percent.

Congress seems unlikely to change the 60-percent exclusion of long-term gains from any tax. With the taxable portion remaining at 40 percent, dropping the maximum income tax rate to 50 percent from 70 percent would re-duce the maximum levy on capital

gains to 20 percent (50 percent of 40 percent from 28 percent (70 percent of 40 percent).

Sen. Daniel P. Moynihan, a New York Democrat, asked the Finance Committee to adopt aparallel reduction in the capitalgains tax rate for business to main-tain what he said has been a historical parity with the levy for individuals. The administration op-posed that, however, and the matter was deferred.

The inheritance tax changes would remove all tax on the inheritance of a surviving spouse during his or her lifetime. In addition, the present exemption of estates of \$175,000 or less would rise to \$225,000 in 1982, \$275,000 in 1983, \$350,000 in 1984, \$450,000 in 1985 and \$600,000 in 1986 and thereafter.

The only serious disagreement Monday was on a proposal offered by Scn. John C. Danforth. a Missouri Republican, and opposed by the administration. His proposal would let banks and thrift institutions offer savers a tax-exempt, one-year savings certificate that pays 70 percent of the return on Treasury bills, Individuals would be allowed to exclude up to \$1,000 a year of such income from their taxable income, and couples could exclude up to \$2,000. Estates and trusts would be ineligible.

U.S. Pair in Zambia **Get Expulsion Order** As Alleged CIA Spies

LUSAKA, Zambia - Two senpelled from Zambia on charges of spying for the CIA, and four other Americans no longer in the country have been barred from returning, a spokesman for the Foreign Ministry said.

Michael F. O'Brien, bead of the U.S. Embassy's information branch, said in a telephone interview early Tuesday that he and John D. Finney, the embassy's first secretary, had been ordered Mandau sick to be under the authorise to be under the content of the secretary. Monday night to leave the country

within 48 hours.

The Foreign Ministry spokes-man implied that the CIA was plotting to overthrow President Kenneth Kaunda. He said the agency had examined "alternative leadership" to Mr. Kaunda and "looked to" an unidentified senior army officer and Frederick Chilu-ba, chairmon of the Zamhian Congress of Trade Unions, as possible replacements.

Meanwhile, reliable sources in Lusaka said Tuesday that Zambi-an security forces had feiled a second attempt to overshrow the president. The sources said Mr. Kaunda and other officials were to be killed by a South African-backed commando squad. They said the coup attempt was scheduled for

last Wednesday.

But the sources said the plot was not connected with the deportation of the Americans, Mr. Kaun-da claimed tast October that the army had foiled a plot to over-

The ministry spokesman also said that a Foreign Ministry offi-cial, Webster Kayi Lumbwe, had been arrested on suspicion of spy-ing for the CIA. He said Mr. Lumbwe told investigators the U.S. agency was interested in information on arms Zambia got from the Soviet Union, the political leanings of senior government officials, and a dispute between the Christian community and Mr. Kaunda's United National Independence Party "over what the churches alleged was introduction of scientific Socialism in schools." Mr. Lumbwe added, according

By Joseph Lelyveld

New York Times Service

JOHANNESBURG - In what

amounts to the most severe crack-

down by South African security

W. Botha took office nearly three

years ago, about 30 black trade-un-

ion leaders and student activists

have been arrested in the past

three weeks under security laws

permitting detention without trial.

The pattero of the arrests sug-

gested that the security police were

looking for evidence that recent

black protests have been coordi-

nated. More specifically, the police

were thought to be searching for

links between legal black organiza-

tions and the African Nationa

Congress, the oldest black political

movement in South Africa, which

The most recent and dramatic

arrests, however, involved a

ground movement called the South

African Youth Revolutionary

Council, made up of black youths who fled South Africa after stu-

has been outlawed for 21 years.

lice since Prime Minister Pieter

the Americans also sought inforior U.S. diplomats are being ex- mation on Mr. Kaunda's special advisers and what influence they had on him.

The four other Americans were declared "prohibited immigrants."
The Foreign Ministry said three were CIA officers formerly stationed in Zambia. Sources said the fourth was a busine

They were identified as Frederick B. Lundahl, one of four U.S. diplomats expelled from Mozambique in March: Norman Smith. Robert R. Simpson and William B. Lowethier. Mr. Lowethier worked in Lusaka until April for a firm called International Business Pro-

motions.

The Foreign Ministry spakes-man said Mr. Lumbwe had been recruited for the CIA by Mr. Lun-dahl in 1978 and began work for the agency the following year.

The spokesman claimed Mr. Lundahl had been the desk officer in charge of Zambia at CIA headquarters in Virginia, then was CIA station chief in Mozambique. He said Mr. Smith and Mr. Simpson

were also CIA officers.

Mozambique expelled Mr. Lundahl, three other members of the U.S. Embassy staff there and their wives on March 6 and charged that they were providing information to South Africa on black South African rebels operating out of Mozambique.

In Washington, the State Department said it had heard that Mr. O'Brien and Mr. Finney were being expelled and was trying to get more information. A spokes-man, Joseph Reap, said the United States had nine diplomats in Lusa-

The Monday edition of The Times of Zambia, the official organ of Mr. Kaunda's party, reported that a number of army and air force officers had been detained following the theft of a truekload of weapons from a barracks across the street from the president's resi-

This report was subsequently denied by Defense Minister Grey Zulu, who bad been quoted in the newspaper as confirming it.



West Berlin police carrying a squatter from an occupied house in the district of Zehlendorf on Tuesday. The mansion had been occupied by squatters for about two months.

173 Held After Squatter Riots In Frankfurt and West Berlin

The Associated Press

BERLIN - Police arrested at least 173 persons after a night of street battles in West Berlin and Frankfuri, authorities said Tuesday. The trouble followed the eviction of squatters from occupied houses in both cities,

Another 35 young persons were evicted, despite "passive resistance." from two occupied houses in Erlangen, near Nuremberg, late Monday, police there said.

A Frankfurt police spokesman said that about 250 youths had taken to the streets Monday night to protest the eviction of squatters from a neighborhood apartment building. The youths broke windows of 30 businesses and two banks and damaged several parked cars, he said.

One man was arrested after firing a pistol tracer bullet during the ensuing fight with police, the spokesman said, adding that two women had been arrested for vandalism. There were no reports of

An estimated 12,000 squatters who are protesting the shortage of low-cost housing occupy more than 140 buildings in West Berlin. The city was relatively peaceful in recent months as police stopped most efforts to evict the youths,

egin Reportedly Asserts U.S. Gave Him ocument on Concern Over Iraq's Plans Mr. Begin's testimony Monday about the document before the De-

Malassias By David K. Shipler New York Times Service RUSALEM - Prime Minister

nachem Begin is reported to e told an Israeli parliamentary unittee that the United States provided him with a document ressing American concern that was planning to use its nch-built reactor to manufac-- nuclear weapons.

he document, based on U.S. Iligence reports, was given to Begin in January by the U.S. bassador to Israel, Samuel W. EWS Lesi official.

Washington, a State Department official said that information the Iraqi nuclear program had a exchanged at various times .1 Israel and other Middle Eastcountries, but the official ald not comment on the report Mr. Lewis bad given Mr. Beut Iraq's intentions.

By Alan Philps

dent Abolharsan Bani-Sadr the spotlight on the clergy-

parliament

Handing for the to his countrymen he is the

ections.

HRAN - The dismissal of

whom many Iranians believe

ome Court and leader of the

ue Republican Party, which

nates the government, courts

'atollah Beheshti, 52, a severe,

a)-voiced figure who wears the turban of a descendant of

rophet Mobammed, once told

r and prestige that led to the Monday of Mr. Bani-Sadr 17

hs after he won a huge victo-

the country's first presiden-

hen supporters of the presi-

or holding new elections with-

e other members are the

is (parliament) speaker,

emi Rafsanjani - who. like

ollah Beheshii, is a founding

- and Premier Mohammed

lajai, who is not a member of

arty but who supports it and

ities of the party have suggest-

at the council will not be able

old the elections within the

lated period because of the

nuing war with Iraq and civil

it in some parts of the Iran;

would allow the conneil to

s backing.

ber of the Islamic Republican

nterviewer: "You know, I'm really as powerful as people

.... the most powerful politician

the country: Ayatollah ammed Beheshti, head of the

anian Spotlight Moves

o Party Leader Beheshti

return to Tehran.

too outspoken.

more than he needs to - in con-trast to Mr. Bani-Sadr, who regu-

Majlis Majority

[Ayatollah Khomeini's] line."

In congressional testimony last week, administration officials said that while there was reason for concern over the Iraqi nuclear program, there was no conclusive evidence that Baghdad was seeking to build nuclear weapons.

Since the Israelis bombed the reactor June 7, Washington has questioned Mr. Begin's assessment of the Iraqi threat. The prime minister insisted that the reactor was to go into operation as early as July and that Iraq was planning to build several bombs of the type used against Hiroshima in World

While President Reagan expressed understanding of Israel's nervousness, his administration delayed the scheduled delivery of four F-16 jet fighter-bombers. Officials in the State Department and the Pentagon contended that they bad not been able to conclude with certainty that Iraq was indeed capable of or intent on developing

mittee of the Knesset was first re-ported on Israeli radio and later confirmed by an Israeli official. A spokesman for the U.S. Embassy declined comment.

U.S. Concern Detailed

fense and Foreign Affairs Com-

The Israeli official said that the document consisted of two parts. One set forth the U.S. concern over the Iraqi installation, raising the possibility that it could be used to produce nuclear weapons. The second part speculated about other possible uses of the reactor. The official would not specify what these were, but he said that it was fair to draw the conclusion from the document that Iraq was on the road to becoming a nuclear power.

The official said that be was unable to confirm another Israeli radio report quoting Mr. Begin as having told the committee that his angry statements over the deployment of Syrian anti-aircraft mis-siles in Lebanon had been partly a diversion to distract attention from the impending Israeli attack on the Iraqi reactor.

. The radio also said that Mr. Begin had told the committee that Isstay in power longer. Ayatollah Behesbti has pledged, bowever, that the council will arrange the raeli intelligence activities, presumably reconnaissance flights. had not been inhibited by the Syrelections within the required 50

Before the overthrow of the shah An Israeli air strike against the missiles was planned for April 30, Mr. Begin later revealed, but was in January, 1979. Ayatollah Beheshti spent five years as spiritual adviser to the Iranian communicalled off because of bad weather. It was then suspended indefinitely at the request of the Reagan adty in Hamburg. He emerged as the right-hand man of Ayatollah Ruhollah Khomeini while the revolntionary leader was in exile in the French village of Neauphle-le-Habib to the Middle East as a special envoy. Chateau and after his triumphant

At his weekly press conferences in the Justice Ministry, where he has his offices, Ayatoliah Beheshti fields questions with ease in Eng-lish and German. Each word is Iraq's Hussein Says Arabs Must Obtain A-Bomb carefully chosen, and be never says

The Associated Press

NICOSIA - President Saddam larly issued lengthy statements Hussein of Iraq called on "all peace-loving nations of the world" Tuesday to help Arabs acquire the that his supporters warned were atomic bomb to balance Israel's

president, at a news conference last week, Ayatollah Beheshti said: "Mr. Bani-Sadr was elected by 10 tended to make bombs for use against Israel.

Mr. Hussein said that "no power can stop Iraq from acquiring tech-nological and scientific know-how million people to play the role of president according to our consutution, not according to the consti-tution of France, the U.S. or Gerto serve its national objectives," the news agency reported. "Any country with a positive interna-tional responsibility toward peace He denied a reporter's sugges-tion that the Islamic Republican Party had brought Mr. Bani-Sadr and humanity must tell the Arabs, take arms with which you can face down by blocking his every move.
"There is no problem between Mr. the Zionist atomic threat," he was quoted as saying. Bani-Sadr and the party," he said.

This, he said, "is the same logic "The problem is really between employed by the United States toward the Soviet Union, and the him and ... the people of the line which has been called the imam's Soviet Union toward the United



STOCKHOLM - Zarah Leander, 74, a Swedish singer and ac-tress, died Tuesday. She had a cerebral hemorrhage last month. With her sensuous voice and rich red hair, Miss Leander was a stage and screen star in Germany and Austria in the 1930s and 1940s, and a favorite of Josef Goebbels, the Nazi propaganda minister. She fell from his favor in 1942 and returned to Sweden. where she was popular in the 1950s.

Lawrence Clement Dame

WASHINGTON (IHT) - Lawrence Clement Dame, 82, a journalist, author, art critic and a staff reporter and feature writer with he Paris edition of the New York

WASHINGTON (NYT) op a drug that protects normal tissues, but not certain solid tumors, from effects of radiation therapy.

Isadore Blumenfeld

Seatloho is reported to be the ehairman of the South African Youth Revolutionary Council.

The authorities have so far refused to divulge the names of the seven others who were arrested. The Sowetan, a daily newspaper with a predominantly black staff and readership, reported this week that at least three of them had

Thursday. Two days earlier, at a meeting in

Crackdown in South Africa Is Harshest of Botha Era

a Soweto church in memory of stu-dents who were killed by police fire in the clashes of 1976, mimeographed broadsides under a letter-head of the South African Youth Revolutionary Council were dis-tributed, as were leaflets in the

been arrested in the township last name of the African National Con-

gress.
"We cannot allow ourselves to be reduced to mere commemorators of the death of our kith and the council's broadside declared, calling on Soweto's population of more than 1.1 million to "organize and act against the ene-

OAU Leaders Arrive for Nairobi Summit

annual summit of the Organization ruled by South Africa. of African Unity, due to open Wednesday.

Despite the political and sometimes military conflicts that have divided the OAU, a meeting of foreign ministers preparing for the summit underlined that the organization is virtually united on at least two points - hostility toward the white-minority government in South Africa and suspicion of the United States.

Lengthy ministerial discussions left no doubt that Africans feel the Reagan administration is intent on achieving close links with South Africa at the expense of its black

neighbors.
One chief of state who will be absent from the summit is President Kenneth Kaunda of Zambia. whose government will be repre-sented by Prime Minister Nalumi-

no Mundia. A government spokesman in Lusaka said Mr. Kaunda "is very husy in the country and feels he should be here."

The spokesman said the president's decision to stay home was not connected with the expulsion from Zambia, announced Monday night, of two U.S. diplomats for what the government called "activities inimical to the security of the

During the foreign ministers' meeting in Nairobi, the United States was strongly criticized not only for alleged encouragement of also for its support of Israel.

soldier was killed north of Kampala, and that Yesifi Sabiti had been detained after the truck he was escorting west of Kampala was found to be loaded with machine guns, rocket-propelled grenades, hand grenades and bullets.

Readers
NAIROBI — Heads of state from 50 countries with a total population of almost 500 million have

government was considering closer military ties with South Africa and might drop efforts to end the conflict in South-West Africa (Nami-

Guerrillas of the South-West Africa People's Organization (SWAPO) are fighting the South African Army in the territory. Sam Nujoma, the SWAPO lead-er, said at a Nairobi news conference that "in the absence of a set-

tlement, South Africa will be defeated by a protracted armed struggle. Among issues expected to arise

at the summit is the war in the

begun arriving in Nairobi for the bia), a former German colony nouncement last week of a Libyan diplomatic initiative to end the war hy peaceful means.

There is increasing concern among OAU leaders over econom-, ic problems as well. In a speech to the foreign ministers. President Daniel Arap Moi of Kenya touched on such problems as food shortages. lack of foreign exchange, vast numbers of refugees requiring assistance, and lack of success in exploiting Africa's re-

mitted that social discontent was

The Istiqlal party, which be-longs to the ruling coalition, said the people's purchasing power was

"One can only regret the ab-sence of dialogue between the gov-ernment and the trade unions,

which could have permitted a di-rect and frank discussion," the

party said through its newspaper;

The majority party in the coali-tinn, the Rassemblement National

des Indépendants, appealed for

"self-criticism and reflection on our behavior in all fields, to cor-

rect what must be corrected."

partly justified.

L'Opinion.

Opposition Assails Regime Over Casablanca Violence

RABAT, Morocco - The Socialist opposition, accusing the government of using "the most brutal violence," called Tuesday for a parliamentary inquiry into the weekend clashes in Casablanca in which scores of people were killed.

The government of Premier Maati Bouahid said Monday night that 66 persons had died and 110 had been injured in the violence in the port city during a general strike. The opposition Union Soci-aliste des Forces Populaires (USFP) said more than 100 had been killed.

tn a statement Tuesday, the USFP said Saturday's strike, called aeross Morocco, had been a grandiose demonstration of refusil to accept the increases in hasic food prices decided and main-tained by the government."

the strike by means of "intimida-tion and ... massive and general arrests," the Socialist statement said. "Faced by the success of the strike, the government did not hesitate to resort to the most brutal viotence, particularly in Casabtan-

Socialist Demands

The USFP demanded the cancellation of the price increases, the release of all detainees and the lifting of "illegal measures" against trade unions, political parties and their newspapers.

It called for a parliamentary commission to investigate the events of Saturday and Sunday in Casablanca.

While condemning the violence, pro-government parties also ad-





DELIVERED FAST WORLD

ANY U.S. BOOK IN PRINT

took to the streets of Tehran After Mr. Bani-Sadr won about nuclear capability, the official Iraaturday for a demonstration Herald Tribune from 1929 to 1931 75 percent of the vote in the Janu-U.K. Police Call South African intransigence but and again in 1936, died May 22 in West Palm Beach, Fla. His books included "Yucatan." describing his explorations in Mexico in 1940 hich at least 25 people died, qi News Agency said. ary, 1980, presidential elections, Mr. Hussein, in his first public . .: first and loudest chant was, African anger with Washington was sharpened by an announcement there last week that the U.S. some commentators wrote off Ay-Killing of Black reaction to the Israeli destruction June 7 of the Iraqi nuclear reactor near Baghdad, said nuclear weapth to Beheshti." ainliah Beheshti's party. But in the : 'arollah Beheshti's double rote Majlis elections that followed, the The authorities tried to break arty teader and chief justice and 1941. He was a former art crit-A Racial Murder party declared that a majority of ons for the Arabs were essential for world peace and security, "ir-respective of Iraq's current and fu-ture capabilities," the agency reic for the Art Digest, London, and the Boston Herald Traveler. been criticized by opponents 2 Opposition Figures deputies were its supporters. e fundamentalist Islamic Re-The Associated Press With the Majlis firmly lined up cans as compromising the in-LONDON - Police say the Arrested in Uganda adence of the courts. But the against him, the president found stabbing to death of a Nigerian-born black by three white youths Robert S. Rozman that winning the election was not dlah says there is nothing in enough to give him power. He was forced to accept Mr. Rajai as pre-mier, and he soon became involved KAMPALA, Uganda - Two op-Iraq has insisted that the French-supplied reacure, which s revolutionary constitution. in London Saturday night was a racial killing. "It would be foolish to believe that this callous, brutal he had a big part in creato forbid his holding both po-Robert S. Rozman, 49, the chief of position members of Uganda's the drug metabolism section of the Parliament have been arrested, one was near completion before the Isin a battle over interpretation of the Islamie constitution. Mr. Bani-Walter Reed Army Institute and while escorting a truck full of arms raeli bombing, was strictly for murder was anything other than a an authority on malaria, died last and ammunition, Internal Affairs peaceful purposes. Israel, which does not allow inspection of its **Another Hat** racial attack," Detective Chief Su-Sadr apparently saw himself as a Thursday of cancer. Dr. Rozman Minister John Luluwiza-Kirunda powerful, French-style president, while the party viewed his role as purely ceremonial. perintendent Peter Bradbury said e removal of the president Ayatollah Beheshti another played a principal role in developtwo nuclear reactors and has not Monday. ing melfloquine, a drug to treat He told Parliament that Elijah signed the Nuclear Non-Prolifera-The victim was identified Montypes of malana resistant to many wear: He is on the presiden-Kitaka-Gawera had been arrested early Monday after an off-duty tion Treaty, said its action was in day as Fenton Isiah Ogbogo, 25. other drugs. He also helped develouncil that has taken over Mr. In his last comments on the self-defense because the Iraqis in-Sadr's duties and is responsi-

> MINNEAPOLIS (AP) - Isadore Blumenfeld, 80, who was known as Kid Cann when he headed a bootleg liquor syndicate during Prohibition, died Sunday, Before he was sent to prison in 1961 for trying to bribe a juror, Mr. Blumenfeld and his confederates known variously as "The Combination" and "The Syndicate" built a long history of crime in Minnesota. He was released after

dent uprisings in 1976 and 1977 in Soweto, the black township near Johannesburg. **PLO Ties Rumored** The council, which surfaced first

in Nigeria, has been rumored in South African black political cir-eles to have been receiving funds from the Palestine Liberation Organization. Although its activities have been shadowy, an impression had grown that it was ready to consider terrorist tactics that have apparently been rejected by the African National Congress.

On Sunday, the security police acknowledged that they had detained eight of the exiled students, who were said to have been arrested as they attempted to infiltrate back into Soweto. Among them was Khotso Seatloho, who was president of the Soweto student representative council when he fled into exite in 1977. Mr.

He was killed in a fish shop in the Peckham area about an hour after a rampage by 500 mainly black youngsters who attacked police, smashed shop windows and looted several shops. Police made 30 ar-

Mr. Bradbury said there have

been other racial attacks by young

whites, including the stabbing of a

young black who was hospitalized in serious condition last Thursday. After a 50-year-old Pakistani was stabbed to death in London three weeks ago, friends said he had been threatened with death by the extreme-right National Front, Two Asians have been killed in Coventry in recent weeks.

Wednesday, June 24, 1981 *

Innocents Abroad

In one extraordinary half-hour last week. President Reagan pronounced the tensions in Poland to be "the first beginning cracks, the beginning of the end" of Communism everywhere: called his decision to sell arms to Communist China a "normal part" of im-proving relations: and then said he saw no connection between the two situations. The president thus revealed a powerful failure of imagination - and a critical flaw in his approach to the world.

The buge connection between Poland and China is obviously the Soviet Union. And the connection between the Polish and Chinese rebellions against the Soviet system is their dependence on Western help. An administration blind to these connections and working only at the periphery of the Soviet empire cannot design a safe relationship with Moscow. Without such a design, there's no foreign policy worthy of the oame.

Imagine Canada elevating Marxisis to high office and seeking Soviet aid against U.S. pressure. Picture the entire continent of South America aligning itself commercially and strategically with the Soviet Union. And then imagine Leonid Brezhnev saying he saw no connection between these events - that one heralds the failure of capitalism, the other merely normal diplomatic evolution.

Would Americans believe such professions of innocence? And if they did, would they not conclude that thermonuclear power had passed to an incredibly myopic leader blind to the U.S. view of the world and dangerously incapable of recognizing vital interests of the United States?

President Reagan bears no obligation to relieve the Soviet anguish over the Chinese and Polish challenges. These are historic shifts that may indeed alter the world's power balance in favor of the United States. But for that very reason, he should he routinely aware of how the world looks to the Kremlin

and how the deployment of U.S. power affects Soviet perceptions.

If the Reagan team could stand in Soviet shoes, it would never dare exacerbate the Kremlin's already dangerous alarm about Poland. If it understood the Soviet phobia about China becoming "the 16th member of NATO," it would never think this had nothing to do with Soviet conduct elsewhere.

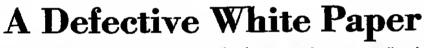
Containing Soviet power is a plausible U.S. strategy. Crowding that power from east and west is now clearly possible. Crowing about Communist failure may be a plausible tactic. But the wisdom of U.S. policy at every turn depends on whether it reckons properly with Soviet reactions and leads to a plausible Soviet-U.S. relationship.

Does Reagan really mean to help drive the Red Army into Poland? Does be mean to boost the Soviet faction that would revive Moscow's albance with Peking? Above all, what does he offer the Kremlin to conduct itself in ways that promote accommodation?

The Russians face a fateful change of leadership and at least a decade of severe economic stress. For the United States to threaten to spend them into even deeper crisis with an arms race is one side of a policy. But the other side has to name the price and promise of a more humane competition. What mutual restraints on conduct would Mr. Reagan expect in return for strong commercial ties? At what point in his military buildup does be propose to offer a serious alternative, genuine arms control and even cost-saving reduc-

In justifying the rash of arms sales to poor nations the other day, a U.S. official remarked. "If you're going to have any relationship with Guatemala, you have to show them it's worth something." If you're going to have a relationship with the Soviet Union, what's it to be? what's it worth?

THE NEW YORK TIMES.



So the administration's "white paper" on foreign Communist backing of the El Salvador insurgency is defective. The evidence of Soviet, Cuban and other support that was proclaimed to be "definitive" in February. turns out, upon closer inspection by The Washington Post and The Wall Street Jourhal, to be arguable and, in some cases, plain wrong. We had found the documentation substantial in the first go-around. Upon reflection, we're not surprised to see questions being raised 100 days later. Politics is not arithmetic: Everything is arguable, especially in El Salvador-type situations, and it seems almost an iron-clad condition of U.S. political life that these foreign policy white papers end up being in some degree discredited in a few months' time. But the fact is that the nature of the foreign role in El Salvador never could be established by documents. That's not how these things work. The administration overreached in resting its case on a hastily prepared brief that others could dissect at leisure.

Some of the administration's critics, making a point The Post and Journal news articles on the white paper disavowed, suggest that official policy bas been undermined. They see deceptive means being used to sell a flawed policy. But we don't see deception -

simply error, and not necessarily grievous error: to the new questioning of its white paper the State Department has some interesting and vigorous rejoinders. Concern over a foreign role in El Salvador was not, after all, a Reagan invention. The Carter administration had become exercised enough about it to restart military aid, and even Robert White, the Carter ambassador fired for challenging Reagan policy, has accepted that there is a certain foreign role.

As for the policy, from the start it has been essential to respond to the foreign component, but not to overrespond. The risk in the white paper was never so much that it would take in the public as that it would take in the administration - reinforce its inclination to treat El Salvador principally as an arena in which to do military battle against international Communism, neglecting the struggle's domestic roots. The white paper was not especially important, we suspect, in bringing Congress and foreign friends to their current levels of support for the Reagan approach. The administration was going to get most of that support anyway. It was probably more important in shifting the balance inside the administration toward the lopsided military emphasis that still characterizes U.S. policy. THE WASHINGTON POST.

The Coal-Burning Car

An automobile that runs on coal? It exists, and it opens interesting possibilities for further reductions in the U.S. need for foreign oil. General Motors has developed experimental cars that burn finely powdered coal in turhine engines. But a solid fuel raises a long string of difficulties - not least of them the pollution inherent in coal. It's a lot simpler to use the coal in liquid form, as methanol, in engines very similar to the present gasoline engines.

Ford and General Motors have both done a lot of work on methanol engines. Ford in particular has carried out repeated demonstrations - in one case driving methanolpowered cars across the country - to persuade people that the idea can actually work. In Brazil, both companies are making cars that run oo a closely related fuel, ethanol. The difference between the two alcobols is that ethanol must be made from plant matter while metbanol, manufactured from coal, is not a competitor with the food supply.

Methanol is superior, in several respects, to gasoline. Its high octane permits high compression engines and high operating efficiency. It hurns clean. It's safer to handle. Racing cars have used it for years. Gasoline became the standard highway fuel simply because, until the 1970s, crude oil was extremely cheap. It's time to reconsider the assumption that cars have to run on gasoline, and only

But public policy will strongly influence any transition to another fuel. Methanol now is probably competitive in price with gasoline

- if it can be manufactured efficiently. That requires large plants, and, at current interest rates, the nature of the financing will be crucial. The Reagan administration has been ambivalent about the new U.S. Synthetic Fuels Corporation. But this is precisely the kind of undertaking for which the corporation was designed.

A new fuel always runs into the chickenand-egg question, as the engineers gloomily call it. The oil and chemical companies won't put methanol into service stations until there are cars on the road that use it, and the automobile companies can't sell methanol cars until the fuel is widely available. Diesel passenger cars are on the market only hecause the heavy trucks created a diesel fuel network, and unleaded fuel is at the pump only because federal law required it.

To say that the market will take care of the transition to a new fuel is merely fatuous. Like unleaded gasoline, the next fuel whether its methanol or another one - will probably require a push from the government. With its enormous reserves of coal and its inadequate oil, this country cannot ignore the opportunity to begin shifting U.S. automohiles onto coal-based fuel. It can't he done quickly. But, after two worldwide oil crises and the gasoline lines that they brought, it's hard to think that many Americans would favor a national policy of standing by, bands in pockets, to wait for a third oil crisis, and a

THE WASHINGTON POST.

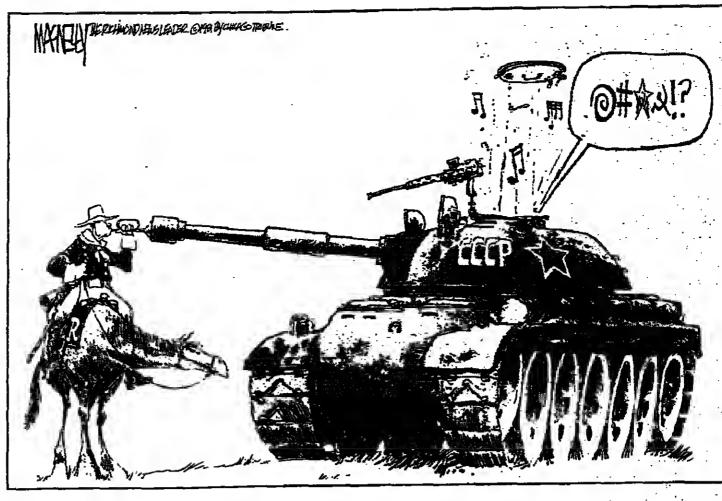
In the International Edition

Seventy-Five Years Ago

NEW YORK - An editorial in the Herald reads: "The time has come to extirpate these venomous reptile anarchists. Treating them gingerly for fear of making them martyrs; giving them refuge when they migrate from their own lands, and permitting them to lecture and spread their diabolical gospel simply encourages them to commit new crimes. They are the foes of civilization in general and of the working masses in particular, for by their atrocities they they incite reactionary movements against the democratic tendencies of the times. They should be ferreted out, and by international cooperation stamped out of

Fifty Years Ago June 24, 1931

BERLIN - Chancellor Bruning announced today that the German government is willing to enter negotiations with France with a view to "comprehensive and practical cooperation" between the two countries. He said he was convinced that no fruitful cooperation between the European peoples, no really stable peace in Europe and no normal economic interchange with the United States is possible unless Germany and France clear their minds of past antagonisms and turn their eyes more to economic and political problems. He added, "A most dangerous illusion is the belief that a reparation holiday would wipe off all Germany's financial difficulties."



Of Time and the Alliance...

By Stephen Klaidman

DARIS - A fundamental difficulty in the Western alliance is that the security threat and common values that unite Europe and the United States are relatively vague and remote and the economic and political differences that divide them are concrete and immediate.

The United States, which lives farthest from the conventional Soviet threat, and under the Reagan administration tends to be the most strident about the virtues of democracy, has decided that the first priority must be military

Europeans, who live in the maw of the bear, generally prefer to emphasize current interalli-ance problems such as high U.S. interest rates, which exacerbate their nagging but oot occessarily intractable economic problems, and

Neutralize the Danger

It isn't that the European allies doo't recognize the predatory nature of the Soviet beast. They just disagree with the United States about how to neutralize the danger. And having lived through total war on their territory, they are more determined to avoid it happening again, this time with the unspeakable con-

equences of ouclear holocaust.
The practical problem is to figure oot bow to keep the alliance from tearing apart even though there is underlying agreement about the nature of the threat it was created to counter and which all of its members still recognize as a legitimate cause for its existence.

The current disarray results from a series of dramatic changes in the world since NATO was founded more than 30 years ago. Here are just a few of the basics that have created an entirely different strategic equation:

• In 1950, there was one superpower, the United States. Now there are two.

• When NATO was founded, Europe was

emerging from the ashes. The Common Market is now an economic power in the same league as the United States.

• West Germany, a defeated ruin of a country after World War II, is now the largest European economic and military power in an alliance founded by its former enemies.

· Japan, also badly defeated in the war, is now the world's second economic power and Harvard sociologist Ezra Vogel has written of Japan as No. 1. · China, which was taken over by its cur-

rent Communist rulers just before NATO was formed, is oow a functional member of the alliance as a result of its bitter split with the

• There has been a revolution by the oilproducing countries, which have wrested con-trol of the price of their product from the Western-owned companies that traditionally dominated the markets and the means of pro-

The New Reality

No doubt there have been other important changes in the last 30 years. But these should be adequate to illustrate that there is a new reality to which the alliance has not yet fully

When there was only one superpower, which means only one country with the power to destroy its enemy with a brief but devastating nuclear strike, it was natural for Western Europeans to welcome the protection of the United States, its World War II ally with which it shared commoo values, a common heritage and which was rebuilding it.

But oow that two countries can destroy the world, a oew question has arisen. Can Europe afford to take sides? The answer for most gov-ernments has been decisively yes, and decisions such as agreeing to base theater nuclear missiles have followed. In purn, there have been political troubles resulting from the neutralist and anti-ouclear campaigns of Protes-tant churches, ecologists, left-wing social democrats and others.

Meanwhile, as the Soviet Union was transforming itself into a superpower, Western Europe, with hard work, ingenuity and Marshall Plan aid, was becoming an economic co-lossus. Japan, with less U.S. aid and even more hard work and ingenuity, was also on its way to becoming an economic giant.

With the spectacular growth of the European and Japanese economies, international trade took on an entirely new character. The United States can no longer dominate its trad-ing partners, although because its economy is still the world's largest, it is a major influence

After the Oil Shocks Then came the oil shocks, which caused con-siderable transatlantic strain, in part because

the Europeans were far more energy dependent than the Americans, and the Americans

were far more profligate. All of those factors have created a military and economic interdependence that did not ex-

The Europeans seem to have a clearer understanding of the existing economic inter-relationships and their importance than the Reagan administration does. And they also be-lieve that government is responsible for ecooomic security whereas the Reagan adminis-tration is more inclined to benign neglect.

The Europeans, because of their geography and greater dependence oo trade, also accept the view that there is more advantage than risk in developing broad commercial relations with the Soviet Union.

The Reagan administration is less interested in trade with Moscow, except, perhaps, when it sees an opportunity for domestic political ad-vantage, as in the resumption of grain sales despite the fact that the Red Army is still occu-

pring Afghanistan and threatening Poland. It is also more emphatic about the military links. The Europeans believe that along with military strength. Western security depends, with almost equal emphasis, on economic strength and drawing the Soviet Union into a mutual web of interests with the West. Accordingly, they cling more tightly to their social programs and to detente than the Reagan administration

Emphasis on Military Spending

The Reagan administration puts a strong emphasis on military spending and contends, with some justification, that the Europeans are not carrying a fair share of the global burden.

Since it is highly unlikely that there will be fundamental shifts in outlook soon in either fundamental shifts in outlook soon in either than the fundamental shifts in the fundamental shift

Europe or the United States, some ways of

bridging the gap need to be found.

It would be fine if Europe could simply carry the conventional military burden with which it feels comfortable and which it can afford more easily; if the United States would bring down its interest rates to accommodate European economies, and if the United States would carry the entire ouclear burden and also police the Gulf. But the United States is not able to do all of

that Nor should it have to in 1981 considering the relative economic power of Europe and Ja-

It is time for the Europeans to reconsider the long-range related problems of security and preserving commoo Western values. In return, the United States would very likely become more accommodating on short-term questions such as interest rates and specific

arms control negotiations.

... And the Need for Consensus

By Joseph Fitchett

DARIS - A lack of strategic consensus between the United States and its European allies has created tensions in NATO that run deeper than any of the individual transatlantic disputes that periodically make headlines.

The tension has precedents in the 1950s and 1960s, marked as they were by NATO bickering about nuclear weapons, U.S. forces in Europe, and alliance members' handling of decolonization in Indonesia. Egypt and Algeria. NATO emerged from this turbuleoce ioto comparatively smooth sailing in the 1970s.

This resilience could recur, but NATO has lost two assets - rising prosperity and comfortable as-sumptions about Soviet intentions that cushioned Western cooperation in recent years.

Public Interest

Another factor is a new kind of public interest in defense on both sides of the Atlantic creating domestic pressures that reduce governments' margin for compromise in alliance decisioo-making.

Pondering these tensions, many diplomats recall that NATO en-tered the 1970s after a major overhaul of alliance doctrine. The Harmel report, named for the Belgian who oversaw the yearlong policy review in 1967, assigned NATO a dual role of fostering both defense and detente.

Partly a public relations exercise, the Harmel report also sealed a strategic trade-off in the alliance. European allies complied with a U.S. wish to change deterreoce doctrine, moving away from many European analysts' believe

A Parallel?

As is well known the border be-tween the United States and Mexi-

co was once much further north

than at present. In the area once

owned by Mexico, a band of states stretching from Texas to Califor-

nia, there is now a large and grow-

ing minority of Hispanic Ameri-

One day, perhaps in our own

lifetime, it is conceivable that these

people will demand the "reunifica-

tion of Mexico." As this is unlikely

to receive the support of the Eng-

lish-speaking majority of Americans, the United States will then

find itself in roughly the same po-

-Letters-

massive retaliation - obsolete because of Soviet missile power — to a flexible-response plan based oo NATO's ability to trump any Soviet escalation.

In exchange, the United States accepted West European thinking about the oeed for detente, allowing West Germany to start its Ostpolitik dialogue with the Soviet

With its double emphasis on military strength and on cooperation with the Soviet Union the Harmel formula enabled NATO to satisfy both military planners and public opinion anxious for signs of peaceful change.

Now Western officials are eye-ing another such alliance exercise. The idea would be for NATO governments to confroot their security views and work out a new alliance consensus of common pur-pose and individual responsibility. This new deal would give govern-ments fresh leverage with their bureaucrats and voters.

tt would have to cover at least five major problems. · Soviet threat. The prevailing

U.S. view is that Soviet military power and political purposes have become a global threat, necessitating a global response from the Western alliance. U.S. officials portray the Soviet Union as an economic cripple whose influence can be checked by allied military

European leaders reject this confrontational approach. They tend to believe that Soviet behavior will improve if the West maintains the right mix of incentives and firmness. In contrast to U.S. views.

sition as that of the British govern-

ment at the present time in North-

oority within the Hispanic minori-

ty then decide on "direct action,"

buildings and statues, then of peo-

the intimidation of witnesses -

citizen think if we in Britain sup-

ple, the murder of policemen and

what then would the ordinary U.S.

ported the terrorists? What would

the relatives of the victims think

when they saw crowds in Britain

carrying banners saying, "Yanks

R.J. SILBURN.

get out of Mexico"?

Epsom, England.

such as the blowing up first of

Let us imagine further that a mi-

ern Ireland.

that the Soviet system is capable of liberalization.

European leaders, in cootrast, worry that defense spending could jeopardize the economic stability. · Western intervention in the

Third World. Washington seeks European support for a strooger Western military role in the developing countries, where Europe has an even greater economic stake than does the United States.

However, Europeans are relucoutside the European theater, tnstead of Western military force, which they fear may destabilize friendly governments. European governments prefer economic aid as an instrument for stabilizing trouble spots.

 Defense spending. The Reagan administration, while tactfully retreating from 3 percent as a mathematical formula for increased defense spending, nonetheless insists on more military output from all NATO countries.

In Europe, governments are trying to meet this demand by ra-uooalizing their defenses — a process that involves cuts in some services to finance improvements elsewhere.

The risk is that these defense adjustments are being decided oa-nonally, oot collectively. At worst, these separate programs could start a mini-disarmament race among the allies as European governments compete to divert more military funds to the civilian economy. At best, national programs could leave each country better off separately - but NATO worse off collectively.

· Ecocomic security. The Reagan administration has made economic revitalization its absolute priority, but without any concessions on rearmament.

that underpins their national se-

curity. In other words, European politicians link national security to economic stability. They therefore want to protect their welfare programs, increase their development aid and avoid economic warfare against the Soviet bloc.

 Nuclear modernization in Europe. U.S. planners say that Europe oceds to install new missiles capable of striking the Soviet Union. In U.S. eyes, this step would reinforce deterrence in Europe, thus reducing the risk of war.

Nuclear Equilibrium

European leaders instead emphasize arms control oegotiations to produce nuclear equilibrium in Europe, ideally at a lower level reduced Soviet deployment and perhaps no new U.S. missiles.

The ouclear issue is the most acute point of divergence, it cannot be coojured away by creative bookkeeping or communique-writing. If the missile program unravels, U.S. officials say, U.S. support for NATO will plummet.

for NATO will plummet.

These divergences between the United States and Europe ought to be reconcilable. Senior officials from many capitals — including Bonn. London. Rome and Washiogton - agree that it would be useful to try a wise man's exercise to do iL

At the same time, most of them forcefully said that any such initiative should wait for a year until NATO gets past the present uncertainty about nuclear moderniza-

The other half was left to his daughter, Christina, who has aldaughter, Christina, who has already helped the foundation.

A small international jury of men and women — including the president of France's Sorbonne, the former head of Royal Dutch Shell, and an ex-chief of the U.S. Federal Reserve Board - has to

Prizes

From

Greece

By C.L. Sulzberger

\$100,000 prizes respectively named for Athens and Olympia, granted

to international figures or institu-

tions for services rendered human-

ity, Greece - through the private institution known as the Alexander S. Onassis Public Benefits

Foundation - has successfully es-

tablished itself as another interna-

tional benefactor comparable to

the Nobel Prizes, named for the

will provided that half his shipping

fortune should be devoted to the

memory of his only son. Alexan-

der, who was killed in an air crash.

Swedish inventor of dynamite. When Aristotle Onassis died his

THENS - Having recently concluded the award of two

date considered such nominees for two annual awards as Lech Walesa, the Polish reformer. Bishop Desmond Tuta now in a South African prison; Robert McNamara president of the World Bank; Tito; Manolis Andronikos, the archaeologist who excavated the royal Macedonian tombs; as well as last year's initial winners, former British Prime Minister Harold Macmillan, for his committee to save the Parthenon from pollution's effects, and Simone Veil, first president of the

European Parliament.
The \$300-million fund devoted to public purposes, including the prizes and scholarships, is bound to increase unless unexpected dis-aster hits the shipping world. In addition to this large fortune, di-vided between his son's memory and his daughter, there is a considerable additional fortune deriving from Aristotle Onassis' nonshipping wealth.

How It Works

Before his death, the billionaire considered various ways of honor-ing his son's memory. These in-cluded a large hospital, cultural in-stitutions and even a series of annual journalistic and writing awards that would have dwarfed the Pulitzer Prizes.

Inexperienced in the creation and administration of such endeavors, be even contemplated asking the Swedish Academy, which selects Nobel winners, to choose Onassis prizewinners as a

parallel to the Nobel awards. The final arrangement reserved income derived from half of all the ships owned by the Onassis enterprises as specific assets of the foundation, and half for Christina or for additional charitable enter-

An example—and, one hopes, a procedent—of bow the Onassis Foundation hopes its beneficiaries will use their prizes — not for themselves but for the public through enterprises with which they are associated — was set last year by the first winners. Mr. Macmillan never even saw his check. He requested it be made out directly to the Parthenon committee he chaired. Mrs. Veil simply endorsed her check over to the Euro-

pean Community. The foundation was set up in 1976. The two estate parts were capitalized by the Onassis ships. whose value was computed by experts, vessel after vessel, and then allotted separately to the foundation and to Christina (plus other beneficial institutions) on the basis of a secret lottery in Zurich to ensure equality in the assessed worth of vessels. A draft charter was drawn up to make certain award winners were democratically selected. Then the initial jury mem-

bers were chosen.

The first swards — to Mr. Macmillan and Mrs. Veil - were presented last year after a few preliminary jury meetings for organizaworked out enough to avoid the usually intricate Nobel investigative apparatus and to choose a minimal number of dossiers each year from which an intelligent jury could seek to agree on the most clearly eligible favorites. The Onassis selection system is thus looser and more flexible than that

of the Nobel Prizes. While the fmancial underpinning of this enterprise would seem more than guaranteed since additional capital should normally accrue to it each year, the testament that created it installed the emergency guarantee mentioned above... case of any unexpected crisis, Christina would grant the prite foundation an extra \$1 million annually to sustain it in any emergen-

This concept is in the best tradition of modern Greek wealth, which has already seen the errotion of many public buildings such as hospitals and museums with pri-vate bequests and even, early this century, saw a rich national benefactor leave to his country the funds to buy a battleship - which for a time, shifted the navel balance of the eastern Mediterranean

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Green 'Escape From New York: Unnerving for Everyone

By Thomas Quinn Curtiss

DARIS - John Carpenter is a relatively youthful directorscenarist who has specialized profitably in horror films. In his latest venture, "Escape

From New York," Carpenter has wed the horror flick and the catastrophe epic. With street violence. terrorism, gladiatorial combats, goonish heavies and dire political prophesies, it has something to unnerve everyone.

Its scene is Manhattan in 1997 as World War III draws to a close after vast destruction. The island is the last stand of anarchistic bands whose stronghold is a gigantic filthy jail, and the U.S. president, who has been preparing an armi-stice with the Soviet Union, is a hostage in this dilapidated Manhattan after the hijacking and crash of his plane.

A war veteran, sentenced to life for post-demobilization crimes, is recruited with a promise of pardon to liberate the commander in chief. As a precaution, be is by some science fiction hocus pocus injected with explosives and will blow up if he does not accomplish his mission within 24 hours. Carpenter has succeeded in dramatizing this paranoid fantasy into an exciting futuristic thriller

He has the right actors for the right roles in Kurt Russell as the ne-eyed, devil-may-care rescuer, Ernest Borgnine as the leftover taxi driver of the now-rotten Big Apple, and Donald Pleasence as the president, but in casting the black actor Isaac Hayes as the sadistic dictator of the wrecked me-tropolis he risks a charge of rac-

The film, billed here as "New York 1997," is at the Paramount Host has City, the Monte Can Paramount Odéon in English. City, the Monte Carlo and the

It is disappointing to find Peter

Bald Eagles Making Comeback in U.S.

United Press International
PATUXENT, Md. — Bald cagles may be making a comeback along the shores of the Chesapeake Bay, the National Wildlife Federa-tion said Monday.

Michael Pramstaller, a spokesman for the organization's Raptor Information Center, said coastal areas of Maryland, Virginia and Delaware produced at least 95 fledgling eagles this spring — a sig-nificant increase over the 72 eaglets recorded in 1980.

Yates tramping the well-trod who-dunit path in "Eyewitness" after the exhibitantion of his comedy

about American adolesceots, "Breaking Away." It is not that his new film is either incompetent or dull. It is nimbly engineered, but it does have a dejà vu air with its

Nazi-persecution overtones.

In somber, present-day Manhattan, the janitor of an office skyscraper discovers the body of a slain Victnamese diamond important and support or and suspects a fired colleague. The web of the mystery stretches when the janitor meets a woman television reporter whose broadcasts have mesmerized him and he is introduced to ber family circle.

Yates' direction bolds the attention and lends the action vigor, while William Hurt as the bewildered janitor, Sigourney Weaver as the pretty TV commentator, Christopher Plummer as the suave older man in ber life, and Irene Worth as her mundane mother lift it from the routine with excellent acting. It an above-average detective melodrama, but it makes no call on Yates' talent for bumorous ob-servation, a talent of more value than the manufacture, however ex-

pert, of murder mysteries. "Eyewitness" ("L'Oeil du temoin") is at the UGC Danton and the UGC Biarritz in English.

Robert Louis Stevenson's "Dr. Jekyll and Mr. Hyde" reappears for the fourth time on celluloid in Walerian Borowczyk's "Dr. Jekyll et les femmes," a soft-core adapta-

The famous Stevenson fable was initially seen on the silent screen with John Barrymore negotiating the quick change. Rouben Mamonlian produced a pictorially handsome talkie with Fredric March in the dual role, for which he won an Oscar. Later, Spencer Tracy took a ludicrous stab at the split personality and missed.

Borowczyk is guilty of every possible mistake, beginning with his selection of Udo Kier for the part. Kier's spooky look antici-pates the transformation and when the change comes he is turned into something resembling an Oriental

Furthermore, he has so clouded

the plot line that it is often impossible to decipber, and we have for the most part the chameleon physician chasing, deflowering and knif-ing women who have injudiciously accepted his dinner invitation. Patrick Magee's presence is an attempt to create the mid-Victorian period, while the gracious Giselle Preville as Jekyll's mother-in-law suggests, with her white wig and aristocratic manner, an 18th-century Watteau specter.

.Waverley Root_

St. John, the Carob and Locusts

THE CAROB is also called the locust bean or St. John's bread because of the belief that this is what John the Baptist are during his 40 days and 40 nights in the desert and not what the Bible says he ate, locusts and wild honey.

This was apparently a diet too unpalatable for belief, or perhaps considered unworthy of a saint high in the heavenly hierarchy. The carob seemed a plausible alternative, for its pods, though some-what leathery, are edible, and could stand for the locusts. The sugary pulp they contain would be the

It is my opinioo that St. John are exactly what the Bible says he did, locusts and wild honey —
"an excellent combination of printeins, fats and sugars," according to "Food in Antiquity" by Don and Patricia Brothwell, who also think that this is really what John the Baptist ate. In his time and in his part of the world locusts were eaten as a matter of course, and still are - for instance by the Bedonins. Another people who are locusts then and are still eating them are the Yemenites of Israel, who preserve the desert locust by drying it in the sun or baking it in an oven, keeping the insect whole until they are ready to eat it. The head and the indigestible wings and legs are removed at the last minute. It is maintained that this technique is a refinement which guarantees the delicacy of the

insect's flavor.

Ancient Hebrews were exigent about what might be eaten and what was forbidden, but there was no Biblical prohibition against eating locusts. On the contrary the faithful were even encouraged to do so, in Levitieus.

The Moslem attitude was the same, Henry Lhote explained in "Dans les campements Touaregs" that for this Saharan people "all meat, in order not to be djifa (unclean) must come from an animal which has had its throat cut according to Koranic ritual. The only exemptions from this obligation were fish and grassboppers." The preparers of Moslem food were thus released from the necessity of having to develop a technique for cutting the throats of locusts. Some other obligations seem to have differed with the sect. For some locusts which had died of cold could not be eaten; for others, the heads had to be cut off. Locusts are eaten in many Moslem countries today. "Their abundance in some areas, their pleasant taste, and the relative ease with which they can be captured make them an obvious and easy source of food," the Brothwells point out.

Praise From Shakespeare

I imagine many would be surprised at bearing the locust praised in terms of taste; but Shakespeare did it, although he put his description in the mouth of an untrustworthy witness, lago, who pre-dicted to Roderigo that Othello would soon tire of Desdemona: "The food that to him now is as luscious as locusts, shall be to him shortly as acerb as the coloquintida." If you own the Yale Sbakespeare you may want to question the theory that Shakespeare was really talking about insects, on the strength of that edition's notes. The annotator says that "coloquintida" is an intensely bitter drug. and that "locusts" here means "cassia fistula, a sweet fruit." It is true that a drug is made from colycynth, but it is also a fruit which is frequently eaten although bitter. As for cassia fistula, sweet or not, it is a strong purgative. I am inclined to believe that Shakespeare, a man enudite in many fields, including, perhaps, the diet of Moors, meant locusts when he wrote "locusts."

From the nutritive point of view St. John might bave been just as well off with locusts. Carob flour provides only 4.5 grams of protein per 100 grams of meal, as compared to 11.7 for buckwheat flour and 20.5 for chick-peas. It contains only 1.4 grams of fat and is rated at 180 calories (which is wby it

goes into dieting foods), but no vitamins or minerals except calcium. According to the Brothwells: Analysis of dried locusts has revealed percentages of up to 75 percent proteins and about 20 percent fat; 100 grams of locust, when analyzed, showed the presence of 1.75 mg, of riboflavin and 7.5 mg. of nicotinic acid (vitamin B2 complex), demonstrating that they are also of value for their vitamins. There is thus no reason to doubt their food value - and at times even survival value."

The first incontrovertible evidence that men were eating locusts (legs and wings in coprolites) dates from Neolithic times, but they were probably being eaten earlier. During some periods locusts have been a food fit only for the lamished, or at least a food of the poor which was therefore disdained by the well-to-do. Eaters or sellers of these insects would then disguise them under cuphemisms. Aristophanes called them "four-winged fowl," and Marco Polo reported that they were referred to by the Chinese as "brushwood shrimp."

Mesopotamians and Greeks

The heyday of the locust came in Biblical times, in Mesopotamia, when they appeared on royal ta-bles like those of Belshazzar and Asurbanipal. The Greeks did not boggle at locusts. In the fourth century B.C. Alexis of Thuri, writing of the hard life of a poor family of five, complained:

Nourishment for only three! Two must therefore often nuke A scanty meal of barley cake . . . And our best and daintiest cheer, Throughout the bright half of the year, Is but acorns, beans, chick-peas, Cabbage, lupins, radishes. Onions, wild pears nine or ten. And a grasshopper now and then.

Yes, alas! have we

This makes the grasshopper sound like dessert But locusts do not seem to have been common Greek food three centuries later, for when Diodorus described an Ethiopian tribe, he called its members Akridophagoi. locust eaters, as though such a diet set them apart. Ethiopians still eat lo-custs, and in spite of their two millenia of experience, seem to be the only people today who do not insist on removing the wings and legs; it has been suggested that this may be why they are subject to intestinal disorders. Consumers are more finisky in other parts of Africa, where locusts are eaten almost everywhere, but especially in Uganda, by the Pygmies, and in the Sahara where, the U.S. anthropologist L. Cabot Briggs reported, they are eaten when they descend on the plantations." The Imperial Government Institute for Nutrition has recommended them for their food value in Japan, where they are described as a popular food. In China they are deep-fried, just as they come, or

coated with a thin batter — grasshopper fritters.

The locust-grasshopper does not loom large in American gastronomic history. The Digger Indians ate them until quite recently, but out of necessity rather than gourmandise. It was not for gastronomic reasons either that the government recommended them because of their high protein content to soldiers in Vietnam being trained in survival

The only other usage of grassboppers I know of in the United States occurs in more luxurious surroundings - cocktail bars, where canned fried locusts can sometimes be found to munch with drinks as a change from salted peanuts or potato chips. But it appears they can also be found in an environment which is nothing if not normal -

C1981, Waverley Root

Lifestyles

U.S. University Trains Sheepherders

By Marguerite Herman The Associated Press

CHEYENNE, Wyo. — Help wanted: Person who likes solitude, can cook at high altitudes and does not mind living in a tincovered wagon on the range for months with only a horse, dog and sheep for companionship.

A chronic shortage of native sheepherders throughout the American West bas forced many ranchers to turn to Peru, Spain or Mexico to find help.

Most wool growers would prefer to hire at home to save expense and trouble. To fill the need, the University of Wyoming has begun the nation's only sheepherding

"It's pointed toward a number of people in this country who might be interested in this kind of thing," said Frank Hinds, chair-

By David Stevens

International Herald Tribune

BRUSSELS — Maurice Huis-

B man is completing his 22d and final season as the director of

the Théâtre Royal de la Monnaie

and as a farewell gesture the vener-

able house's component units have

put together a special spectacle, of

which Maurice Bejart is the chief

Fair enough, for Huisman had

the happy idea at the beginning of his regime of inviting Béjart and his new Ballet of the 20th Century

to make its home bere, where it has

since shared the theater with the

Belgian National Opera. The opera company remains primarily of lo-

cal interest, but Bejart and his in-

ternational troupe bave written

Brussels in large letters on the

The show's seemingly obscure title. "La Muette." bas multiple

references. The most obvious is to

Auber's rousing opera "La Muette de Portici," a performance of

which in this theater in 1830 - ac-

cording to Belgian folk history -

sent an inflamed public into the

streets to ignite the revolution that

made Belgium an independent

country. Another is to the stub-

bornly mute girl in Molière's "Médecin malgré lui," used bere as

a metaphor for incomprehension

through speech - as opposed to

the supposedly higher communica-bility of music and dance, In a baker's dozen of scenes

strung out in a Ibeatrical collage

lasting 21/2 hours, without an inter-

mission, Béjart and his colleagues

(Bernard De Coster as co-producer

and Thierry Bosquet as designer)

trot out a mixture of dislocated

operatic excerpts, danced inter-

world dance map.

architect.

ence division.

Hinds said "field work" should

be an integral part of the program to weed out those not cut out to be shepherds, "Some might have a ro-manuc view of herding, who don't appreciate the solitude and work involved," he said.

Bill Bonde, executive director of the Western Range Association in Fair Oaks, Calif., welcomes such a program. His organization serves about 240 wool growers in 10 Western states who come to him to find herders. He said courses are offered elsewhere, hut none teaches the skills of year-round herding. Jessie Baker, executive director of the Wyoming Wool Growers Association in Casper, Wyo., also

ludes, visual puns and inside jokes. At times it is broadly funny, at others it seems like a Gerard

Hoffnung concert with the burnor

extracted or wordless lonesco.

During a silent prelude, dancers are displaced on the stage by the

orchestra, which launches into the

overture (Verdi's for "Un giorno di

regno" - King for a Day) under

"No Exit" consists of a series of bleeding counks of familiar operas

overlapping one another, and not

all that well sung. The relevant

Molière scene is played, or paro-died, the *muette* herself being a mummy wrapped in bleeding

bandages, vainly trying to get a

in "Loneliness," the mummified

mute babbles noiselessly into a mi-

cropbone, a blind man watches

television, the conductor waves his

arms over a tape recorder playing Mahler (the Adagietto of Sympho-

ny No. 5), and a man in black

(Jorge Donn) dances an anguished

The most agreeable choreogra-

nold Schoenberg's lean transcrip-

tions of Johann Strauss, and the

funniest collage mixed the "Puri-

tani" quartet with a septet of danc-

ing Salomes and John the Baptists, who then became Valkyries and

Valhalla-bound heroes as the mu-

sic shifted to appropriate Wagner.
The postlude bad Maryse Patris

crooning the waltz from "The Merry Widow," to an accordion ac-

companiment on a stage full of

shabby refugees. A sad, nostalgie

farewell, or perhaps some tongue-

in-cheek reminder that Bejart's

savage staging of the operetta in

the 1960s sent Lehar's beirs ruo-

ning for their lawvers

was a waltz set to one of Ar-

solo in search of the way out.

word out

conductor Ronald Zollman.

thinks the school is a good idea. "Very few people want to learn how to herd and stick with it," she said. "We do have people who

Theater in Brussels

Béjart's Huisman Homage

man of the university's animal sci-

not quite all that easy. Not just evervone can be responsible for 1.000 head on the range." Hinds said that the oecessary

want to herd for a summer, but it's

skills had little to do with sheep. "It's more related to having people who know how to cook at high altitudes, know how to handle their own housing and personal hygiene under conditions that are not typical," he said. "Most of these people are living 30 to 60

miles out of town."

Bonde said his association gets applications from people who want to work at busy times, such as the lambing season. "But they don't want to go with the bands of sheep and stay in the hinterlands for the whole year," he said.

Up at Daybreak

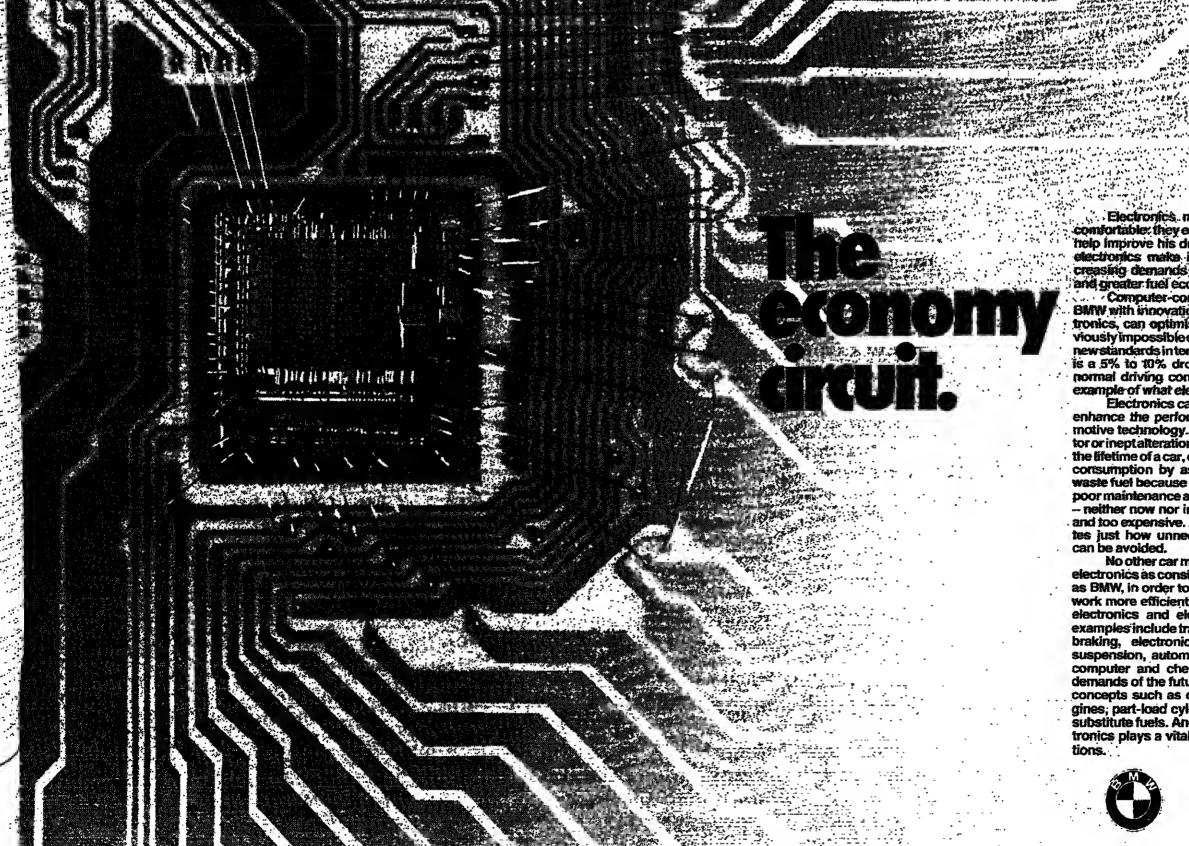
The shepherd gets up with the sheep at daybreak and beds them down at night, and for seven or eight hours in between "be does nothing." Bonde said. Pay is about \$590 a month, plus room and board and health benefits, Jim Popple of the Wyoming

Crop and Livestock Reporting Service esumated that half of Wyoming's approximately 300 sheepherders are immigrants, mostly Basques from Spain. Of the 800 foreign herders the Western Range Association has placed in the West, 60 percent are from Peru, 20 percent from Spain and 20 percent from Mexico.

Bonde's organization must post job requests for 60 days before get-ting clearance from the Labor De-partment to bring in foreign herders on three-year visas. For the grower, using foreign herders means paying the round-trip fare, health insurance, workmen's compensation, the association's fee and facing possible problems of language and culture barriers.



to the ones you love, buy for nvestment, for your enjoyment. Wine airmed for tree price list Joachim Goldenstein diamantexport Established 1928 likaaustraat 62, B-2000 Antwerp Belgium - Tel.: Q3134,07.51. Telex: 71779 syl b. at the Diamond Club Bldg. Gold Medal 4.4 WIND BUT BY BUT BOWN IN THE CH



Electronics make driving safer and more comfortable: they ease the strain on the driver and help improve his driving skills. At the same time, electronics make it easier to meet the ever-increasing demands for stricter emission controls and greater fuel economy.

Computer-controlled engines, pioneered by BMW with innovations such as digital motor elec-tronics, can optimise fuel consumption to a previously impossible degree. They create completely newstandards interms offuel efficiency. The result is a 5% to 10% drop in fuel consumption under ... normal driving conditions. And that is only one example of what electronics can achieve.

Electronics can counteract human error and enhance the performance of conventional automotive technology. A wrongly adjusted carburettor or ineptalterations to the ignition system during the lifetime of a car, can quite easily increase petrol consumption by as much as 10%. Cars which waste fuel because of conventional technology or poor maintenance are something we cannot afford neither now nor in the future. To err is human and too expensive. And BMW technology Illustrates just how unnecessary energy consumption can be avoided.

No other car manufacturer applies advanced electronics as consistently or as comprehensively as BMW, in order to make automotive technology work more efficiently. In addition to digital motor electronics and electronic fuel injection, other examples include transistorised ignition, anti-lock braking, electronically self-levelling rear axle suspension, automatic cruise control, on-board computer and check control. And to meet the demands of the future we are already testing new concepts such as optimum-efficiency petrol engines; part-load cylinder shut-off and the use of substitute fuels. And in all these areas BMW electronics plays a vital role in providing better solu-



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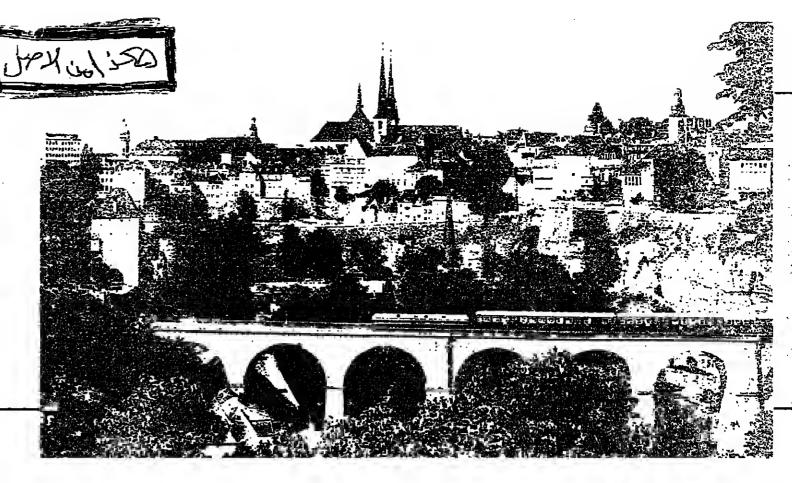
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Herald Tribune

PARIS, JUNE, 1981

Banking and Finance LUXEMBOURG

· A SPECIAL SUPPLEMENT



SINCE 1856 — The Banque Internationale a Luxembourg has just celebrated the 125th anniversary of its founding. But it is only in the last two decades that it has made its presence felt on the international scene. See article inside.

Running Hard and Maintaining Position

By Jasper Becker

NOW HERE, it takes all the running you the Red Queen to Alice in Lewis Carroll's "Through the Looking Glass."

In the 20 years it has taken Luxembourg to become Europe's second city for Euromarket transactions, it is now that the Red Queen's observation is most relevant. Luxembourg's efforts to remain competitive with other offshore banking centers means that it has to run fast to stand still. If it does not, the banks that have brought prestige, employment and prosperity will go elsewhere.

The Boulevard Royal loops around the old city center in the site of the once formidable walls: This is Luxembourg's Wall Street, with 112 banks from around the world. "They are all here for different reasons," a banker

Ernest Muchlen, the Luxembourgian secretary of state for labor and finance, explained: While the growth in the number of banks has been encouraged by certain factors indigenous to Luxembourg, it is just as true that this de-velopment has been stimulated by circumstances outside the Grand Duchy.

This is not surprising. The Grand Duchy is a 1,000-square-mile wedge of land squeezed between France, Belgium and West Germany. Since the early 1920s, it has been linked to Belgium by an economic union (UEBL). Over the centuries, foreign armies and their potentates have come and gone but the Luxem-bourgers have kept their language and their cultural identity.

Romantic City

Part of the attraction for foreigners has been the capital, perched across two ravines and dubbed the "Gibraltar of the North." It is ruled by a grand duke, whose family has been in power since 1890. The city, with a popula-tion of 80,000, has a romantic and fantastic air about it — a jumble of bridges, battlements and spires that draws thousands of tourists in the summer months.

The Euromarkets are loosely defined as transactions made in a currency outside its country of origin — a Eurodollar is one that has been deposited and re-lent outside the United States. The banks that handle this business are generally attracted to places where

This 1.000-square-mile wedge of land has grown dramatically as a financial center in the last few years. It is not a tax haven, yet it has attracted 112 banks. They are all here for different reasons,' said one banker.

taxation is low and no central bank exists to be disturbed by the movement of large amounts of foreign currencies. The market got under way in the early 1960s when the United States tried to protect the dollar through a series of capital control measures, in particular the Inrest Equalization Tax.

Money can be raised in Euromarket centers at an interest rate below that afforded by domestic hanks for a variety of reasons. First, because the banks are free of the solvency ratios imposed by central banks applying monetary control policies, they can lend more mon-ey with smaller equity reserves. Second, the banks benefit from being in

offshore centers that are tax bavens, although

this does not apply to Luxembourg.

Third, long-term funds can be raised in the form of bonds, and the returns are not taxed. The point here is that taxes on interest payments are usually withheld at the source, as is done for some domestic bond issues, and, because the amount that could be reclaimed against withholding taxes varies from country to country, it is not possible for investors who buy bonds to get the same after-tax return in every country. Bonds are thus issued in Eurobond centers because they are not subject to a tax on interest repayments.

Spreading Risks

In order to spread the risks, there is a merry-go-round of banks accepting deposits from some banks and placing deposits with other banks. Although this structure has proved more durable than bad been feared, it is based on a kind of impossible logic

on a kind of impossible logic.

The business that came to Luxembourg initially was the raising of long-term capital in bonds, needed by U.S. or European companies unable to find it so readily at bome. Relatively small amounts were raised in the early 1960s Then came the explosive rise in the cost of oil, resulting in major distortions of the international balance of payments situation.

The oil imporiers had large trade deficits

The growth of the Euromarkets slowed dramatically in 1979. The growth in 1977-1978 was 68 percent, but in the following year, the figure was 18 percent. The Eurobond market grew only slightly in 1980 after the 1979 record year, because of wildly fluctuating interest and the oil-exporting countries had cor-Outpaced Market respondingly large surpluses. Recycling be-came the order of the day. The Eurobanks were the means by which the funds of the Luxembourg's role has outpaced the growth members of the Organization of Petroleum Exporting Countries were lent to the oil import-

ers to repay the exporters. Nobody knows

quite bow much money is recycled in this way, Last year, the OPEC surplus was \$120 billion,

while the developing countries' deficit was put at \$70 billion. The Western industrialized countries and Comecon countries had a com-

The recycling system was julted in 1980.

Only \$77 billion worth of new credits were giv-

en, a drop of 6 percent from 1979. Oil prices

continued to rise, but the developing countries

absorption of credit dropped from \$47.9 billion to \$34.9 billion, Borrowing by the indus-

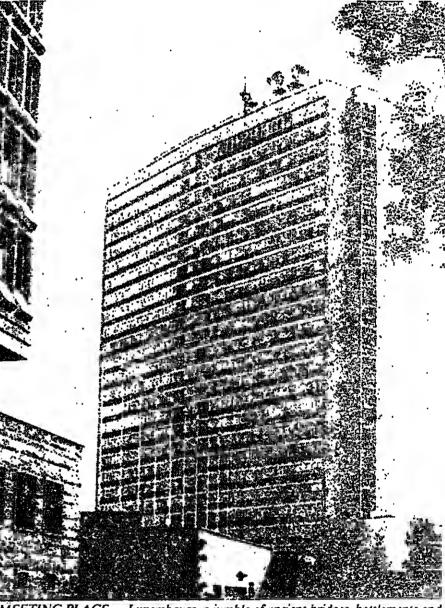
trialized countries increased, however, from \$27.2 billion to \$39.7 billion.

bined deficit of \$55 billion.

of the market. The volume of business transacted in Luxembourg has shown an annual growth rate of 25 percent during the last years. Between 1973 and 1980, the share of Luxembourgian banks in total deposits received by banks dealing in the Euromarkets increased from 6.6 percent to 11.7 percent. For credits, the percentage is even higher — 12.7 percent. But, in line with world trends, the growth in new bond issues has slowed, although Luxembourg's contribution of \$18.2 billion represents 20.9 percent.

The reasons behind this dynamic growth explain in part why the expansion is slowing and why Luxembourg must struggle to keep what it

Commonly cited reasons for the attraction (Continued on Page 10S)



MEETING PLACE — Luxembourg, a jumble of ancient bridges, battlements and spires, draws thousands of tourists each year, It also houses the European Center, with a hemicycle and offices in a 22-story high-rise, above. See article inside.

German Banks on Scene First, Set a Hot Pace

A MAJOR TREMOR passed through Lux-embourg banking circles in January when the acting chief executive of the Com-merzbank, Paul Lichtenberg, publicly ques-tioned the value of the bank's Luxembourg subsidiary. He has since retracted his statement, claiming that he was misinterpreted, but the commotion that followed revealed that the question struck a chord among the West Ger-

The disastrous results of 1980 have led many banks to reconsider their policies. Now, after the all-out growth in the 1970s, diversification -not expansion -has become the aim.

The West German banks are important because they were the first and largest group of for-Grand Duchy in force. Twenty-nine now dominate the scene, handling a major share of the business. In terms of the bal-

rs Dapanna

German banks lead the field: the Compagnie Luxembourgeoise de la Dresdner Bank, the Deutsche Bank Compag-nie Financiere Luxembourg, Commerzbank International and, well be-hind the other three, the Westdeutsche Landesbank

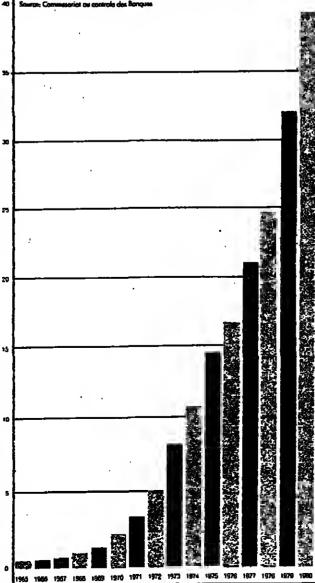
International.

The Grand Duchy was the first foreign outlet when the German banks began belatedly to expand abroad after the war. Luxembourg was chosen to escape the minimum reserve requirements at home, and because it was close to home and language prob-lems were minimal. "We created Luxembourg," a Frankfurt banker elaimed, a bit brashly.

The Dresdner Bank was, in fact, the first German hank when it arrived in 1967. Within a few years, the others followed. Profits were high because the more liberal banking climate in Luxembourg requires only that a bank's equity must not fall below percent of its lending. In Germany, the Kreditwesengesetz, the banking law, limits the credit volume of a bank to a factor of 18 times its basic capital and reserves. Because of the heavy German presence, Luxembourg has be-come the capital of the Deutsche mark bond, with more than 40 percent of the issues in DM bonds.

It was not surprising, therefore, that Mr. Lichtenberg's question achieved the publicity that it did. At the beginning of the year, the Landesbank Stuttgart had decided to move the bulk of its personnel to the London office, which had opened simultaneously with the one in Luxembourg. The decision by the small newcomer seemed another straw in the wind, but the move in fact reflected less a disillusionment with Luxembourg than a realization that the Landesbank had overstretched its resources. The Luxembourg office will therefore probably be reactivated in better times.

That there has been, and will be, some soulsearching among the German banks is undeni-



STEADY GROWTH - Chart shows the increase in funds of the banks of Luxembourg since 1965. Figures at left are units of 100 billion Luxembourg francs.

able, however, For West German parent banks, 1980 was marked by the worst performances since World War II - and the previous year's profits had been slim. The Com-merzbank registered a 70-percent fall in group profits and won the dubious distinction of being the first bank in a generation not to pay its shareholders a dividend. The profits of Westl B fell from the 121 million DM of 1979 to 45 million DM.

Coupled with the slump in profits is the prospect of the revision of the Kreditwesengesetz. Discussions are being beld in Berlin and Frankfurt on the consolidation of overseas subsidiaries' accounts, which might lead to further reductions in the profitability of operations in Luxembourg and elsewhere abroad.

However dire some of these events may seem, the reality is less clear-cut. How the parent bank is managed need not directly affect the viability of its Luxembourg subsidiary because profits are also a question of accounting.

There are wide differences in the way each bank has been hit — or bas judged the events of the last 18 months. The Compagnie de la Dresdner Bank, for example, has produced profits of about 700 million Luxembourg francs, considerably less than the year before but hardly negligible. The Deutsche Bank creased profits slightly from 550 million Lux-embourg francs for 1979-1980, but produced none in 1980. For the same periods, the Westdeutsche Landesbank International's profits fell from 673 million to 587 million to 484 million Luxembourg francs, while its capital re-sources grew from 3.5 billion Luxembourg franes to 4.4 billion.

Syndicated Lending

All the Luxembourg banks have been hit by the general decline in margins on syndicated lending, and the need to write down substantially their holding of bonds, given the sharp price declines of international fixed securities. While the U.S. dollar has strengthened, the DM has reacted more slowly because of the Bundesbank's tight monetary policies. Shortterm interest rates for Deutsche marks have remained high, making it particularly expensive for the West German banks to hold bonds in that currency.

The Commerzbank bas come under the beaviest fire, partly because it was the first bank to admit that it bad wrongly assessed the interest rate development for the DM. For the Luxembourg subsidiary, which needed an in-(Continued on Page 8S)

Nation's Size, Social Plans Buffer West's Economic Crisis

A slowdown in industrial production is playing a key role

in the overall decline. Meanwhile, farm output has re-

By Axel Krause

L UXEMBOURG is anything but isolated from the Western world's economic crisis. During the last twelve months, its economy has experienced stagnating output of goods and services, worsening unemployment and in-flation, plus a widening budget deficit. More-over, Western economic analysts are predict-ing that, like its European neighbors, Luxembourg can expect no relief until the end of next year at the earliest.

But mainly because of its small size, generous social programs, and the long-established and cozy relations between politicians, business and government leaders, outsiders rarely attach the same significance to Luxembourg's problems as they do to those of its neighbors,

notably Belgium.
"Small is beautiful, so Luxembourg survives better than most," said a senior government analyst for an international agency who is a specialist on the Luxembourg economy. "As in a small town, everyone there knows each other the government ministries also are in one building — so problems get resolved easily," he said, adding: "Belgium is a giant by comparison.

OECD Statistics

Indeed, Luxembourg's \$4.2-billion gross oomestic product is second from the bottom among the ranks of the 24-nation Organization for Economic Cooperation and Development. Iceland has the smallest GDP, and Ireland ranks third on the OECD list with a substantially larger total of \$14.8 billion. Measured on a per-capita basis, however, Luxembourg ranks well ahead of Japan and Britain, slightly mained flat. There are some bright spots — food, wood and furniture — and each has registered modest growth.

ahead of the United States, the Netherlands and France, but below West Germany, accord-

ing to the OECD. Luxembourg's immediate problem is coping with a decidely gloomy outlook for world trade and steel output — both crucial for the nation's economy. Yet presently neither sector

show signs of recovering.
In its recently-published annual review of the Luxembourg economy, the OECD con-cluded that in 1981 the nation's GDP will "remain flat or even decline, especially in view of the expected trend of the steel markets."

The GDP growth, which last year averaged 0.5 percent, will actually fall by that amount during 1981, according to government forecasts published by the OECD. This performance, paralleling similar recessionary conditions throughout Europe, follows growth rates of 3.6 percent in 1979 and 4.3 percent in 1978.

industrial Slowdown

A slowdown in industrial production is playing a key role in the overall decline - notably in steel, but production in the mining, gas, electricity and chemicals sectors also has been falling. Meanwhile, farm output bas remained flat overall, and wine production has been undergoing what the OECD described as "a very steep decline." There are some bright

spots - 100d, wood and furniture - and each have registered modest growth.

Although output in the services sector has also been declining — notably Luxembourg's airline operations, which have been hard-hit by fare competition on the North Atlantic - an offsetting effect is coming from Luxembourg's financial establishment. Its employees account for roughly 5 percent of the nation's work force and, as the OECD noted in its review. "the influx of financial and banking institutions into Luxembourg bas contributed to the growth of the domestic economy."

But by almost any standard, employment problems in Luxembourg are virtually without significance. By early 1981, unemployment had grown to 1,550, split roughly equally between women and foreigners - a situation hardly explosive for a nation with a total work force of 158,000. The OECD dryly noted that the jobless level, although it had deteriorated, was "still satisfactory."

Luxembourg's inflation, one of the lowest in the OECD area, is also not causing much alarm among government planners in Luxembourg or at international agencies, such as the European Economic Community and the OECD. Although prices last year climbed by 6.3 percent, roughly half the OECD average, the year earlier the rise was only 4.5 percent.

ployment; the fact that the Luxembourgeois government offers generous social programs no strikes in Luxembourg, it is clear that its problems are not terribly serious, compared to Belgium, for example," a senior government analyst in Paris said.

Creating Jobs

This is not to say that Luxembourg lacks problems. For example, the government is still in the process of trying to attract new industry to the south of the country. The goal is to create 7,500 jobs in new industries to offset the reduction of workers in the steel sector, but the competition in the form of attractive investfrom France and West Germany is "stiff," in the words of one observer.

Also, Luxembourg may soon have to face what the OECD described as a chronic deficit in its national budget. The 198! budget allows for a deficit of 1.4 billion Luxembourg francs, which will be covered by drawing on the hudg-

et reserve and by increased borrowing.

Government projections published by the OECD indicate, however, that "in the medium term the Luxembourg economy may experience a chronic public finance deficit which will probably involve new finance procedures."

The OECD concluded that the government's budget reserve by 1984 - for which the government believes the "critical threshold" is 3 billion Luxembourg francs — will no longer be sufficient to cover the shortfall. "The new pressures are there and Luxembourg's challenge will be solving them in the presently difficult situation of Europe," a French government hudget specialist said.

-Banking and Finance in LUXEMBOURG -

Germans, First on Scene, Set A Hot Pace for Other Banks

(Continued from Page 7S) business. And having 20 percent to continue. The Deutsche Bank is jection of 63 million DM from the 25 percent of the bank's liabilities rumored to have burned its fingers the fact that it was an outlet for business that could not be done at bome. It is artificial to separate the two accounts. The policy decisions are made in Frankfurt.

Although Mr. Lichtenberg suggested in January that it might be better to shift the business to London, as the Swiss Banking Corp. had done in 1978, this idea has been dropped. After all, the Luxembourg subsidiary is no fly-bynight affair and its viability is looked at on a long-term basis.

A drop of 12.4 billion Luxem-

bourg francs from the previous year in the balance sheet total was accompanied at the Commerzbank by a change in policy. Holdings in securities and equity were cut, the former by 10 percent, and greater caution was used in loans to banks and companies. The emphasis is being placed on portfolio management for private customers, a large number of whom began taking ad-vantage of a hullion account. What counts for a Eurobank, however, is the credit volume and, despite the strong upswing in 1980, credit granted by the Commerzbank rose hy a mere 6.3 percent.

Customer Credit

The shock becomes greater when one realizes that about 60 percent of new customer credit business in Luxembourg, between January and October, 1980, was due to loans of German subsidiaries to customers in West Germany. More than 50 percent of the halance sheet growth in Luxembourg was the result of these transac-

Although the Commerchank Luxembourg francs, lending ac-and others made mistakes in in-counted for 110.6 billion. and others made mistakes in investing in long-term bonds and mismatching these with short-term loans, the pattern is very uneven, The private banks bave done well in 1980, not only because they were more cautious and accepted fewer long-term bonds but because they compensated for reduced results with trading in foreign ex-

change and gold. Volker Burghagen, the manag ing director of the Dresdner Bank in Luxembourg, attributes the comparative success of his hank's year to a greater flexibility allowed by his head office, which has, for

parent bank so as not to produce a in non-banking deposits also negative result, it brought bome brings a measure of freedom. Recently, the loans syndication department has been transferred to Luxembourg from Frankfurt.

This policy has paid off. The bank now has the doubtful bonor of being the largest single taxpayer in the Grand Dueby. It is fittingly housed in a splendid 18th-century house close to the Grand Ducal Palace. But Mr. Burghagen fears that the bank's prestige may be eroded somewhat when the 1981 report is published, because although the worst is over, the poor business may show up only later.

Refinancing Resources

One policy adopted by the Dresdner may be copied by the other hanks. For the wealthy international investor. Luxembourg could become another Switzerland. particularly for someone who does nnt want to put all his eggs in one basket. Mr. Burghagen said.

For a bank, this has the enhanced attraction of enlarging the frame of refinancing resources. To date, with the exception of the Dresduer, non-banking deposits account for only between I percent and 4 percent of the liabilines of most of the German hanks. The change would take time and a substantial increase in personnel. For the Landesbanks, this would indeed be difficult without either the branch network or the right sort of clientele.

It is the banks' heightened riskconsciousness that has affected the Landesbanks more than anything else. WestLB continues to place an emphasis on lending, and out of a balance sheet total of 139.5 billion

The crisis over Poland's debt has blunted the desire to lend to anyone outside the members of the Organization for Economic Cooperation and Development, More than two-thirds of WestLB's total loan portfolio went to Western industrialized countries. Bul two of the directors, Wolfgang Spehr and Horst Senff, commented, "We now more than often say no than yes to those asking for international credit. We have little interest in drumming up new business but prefer to consolidate our existing circle of clients."

The concentration of lending to more developed private clientele European countries is likely to

on Poland. Its large net profit in 1980 was offset by provisions for bad debts, and WestLB is heavily involved with Brazil, another highrisk country, although credits to developing countries account for less than 25 percent of WestLB's overall credit volume.

Benking Law

The willingness to lend is decreasing further under the continual speculation over the eventual form of the revised West German banking law. Provisions are being made by many banks to take into account any extra capital that would be needed if the present ra-tio requirements in West Germany are applied to subsidiuries.

Important as the new law will be, its impact will not be felt for three or even five years. In any case, all foreign subsidiaries of West German banks will be equally affected, a reassuring thought for the Luxembourg tax authori-

ties. No bank is likely to want to leave on this account alone. Generally, the leaders of West German hanking welcome the re-form of a law that is long out of date. It was conceived at the end of the 1950s before any German hanks had established themselves abroad, and the nature of trade finance has changed since then; banks are now financing the importer and not the exporter, so the nature of international credit risks has changed. At the time, the DM's importance as an international currency was not foreseen, and now that the Bundesbank is concerned with controlling the money supply and the unit's ex-change rate, the law needs amend-

fulfilled — a greater transparency has been obtained by a voluntary agreement for annual audited reports of offshore banking subsidiaries to be sent to the German supervisory authorities.

Mr. Burghagen plays down the threat of the new rules, which have yet to be drafted. He points out that the West German authorities do not intend to undermine the competitiveness of German banks but to prevent unreasonable excesses. Yet the total lending ca-pacity applied to consolidated fig-ures would be reduced by 70 bil-lion to 90 billion DM. It is likely,

Stock Market Showing Vigor

THE LUXEMBOURG stock exchange is lucked away off a busy shopping street in the old part of the town. The office block that houses it is clearly younger than the slock exchange itself, which was founded in 1927 and opened somewhat unfortunately in 1929. Business boomed for only a few months until the Wall Street crasb ended any bopes of quick development. And then came

Business really took off in the early 1960s when the Euromarket came to life. Until 1974, it was the only stock market where the Eurobonds could be listed and cornered 99 percent of the market. Then the London stock exchange updated its rules and has managed to get almost one-third of the market. Despite this competition, the Bourse continues to play an important part in ensuring Luxembourg's key role as a financial center.

It is, however, a cariously Luxembourgian entity. It was founded as a private company - although it is a monopoly granted by the state — with the intention of listing the bonds of a few

local companies wishing to raise finance.

But the founders were farsighted — the Bourse can easily adapt its structure to suit market needs by a decision of the directors that has only to be approved by the finance minister. Not only could the holders of shares and bonds issued by Luxembourg companies sell their securities there, but the law that in 1927 created the stock exchange made it attractive for foreign investors as well. The Bourse was granted freedom from turnover tax and stamp duty, and its legal situation was defined by a few vague laws.

The law of 1929 abolished withholding taxes on

fixed-interest securities, so withholding companies could then be set up to issue bonds for foreign companies, which are then listed on the Luxembourg stock exchange. Equally important, the stock exchange allows quotations to be listed in the currency of issue. In the early 1960s, the first international bonds listed were issued in European units of account, and Luxembourg was the only place this could be done.

international listing center to the low listing fees, the unbureaucratic procedures for admission and the lack of withholding tax. But an overwhelming majority of the bonds listed are issued by companies registered in the Netherlands Antilles (and at the same address there), where it is even cheaper to set up holding companies.

The stock exchange's manager, Charles Ewert, said that the advantages of listing on the Bourse stem from the low number of administrative staff members (20) and the free "brain trust" that guides it - the commission that meets twice a month, ensuring that the market is working properly with prices and quotations appropriately fixed, that the new bonds are carefully checked and that disputes are settled. The commission consists of 11 members nominated from among Luxembourg's leading bankers by the board of directors; they are not paid for this work.

Although the Bourse is a private company, the financial control rests with the government, which numinates the commissioner. The Bourse itself, however, is a banker's exchange — the bankers act as brokers but most of the trading is carried on outside the confines of the Bourse.

Since 1974, the number of securities listed has doubled to 1.250. "We would never have been able to handle all the business alone [that is, if a great deal did not go through London," Mr. Ewert said, adding that Luxembourg must continue to adjust to changes and develop new business. For example, gold trading was opened in March.
"After three months we have even peaked at half the volume handled in the London market." Mr.

The annual report for 1980 shows that, despite an erratic year, the volume of home transactions increased by 25 percent and foreign dealing rose by more than 60 percent. New admissions numbered 171, of which 116 were in U.S. dollars.

- JASPER BECKER

will differentiate between foreign and domestic assets. But, in the meantime, the pessimists are pretending that the ratio of 18 is already being applied.

In the long term, therefore, the impact will surely be on some of the smaller German banks who have subsidiaries in the Grand Du-chy. With smaller capital resources and generally declining profitability compared to the boom years of the 1970s, a few might prefer to leave for other offshore banking centers where taxes are easier.

A certain amount of pressure is being exerted on the Luxembourg authorities to improve the general climate. The new secrecy law, the abolition of stamp duty on certifi-cates of deposit, and the opening of the gold market are indications that the point has been taken. Is it he suggested, that the new rules enough? Mr. Burghagen thinks

that the Luxembourgers missed their chance about two or three years ago when they might have reduced the tax burden on banks.

The competition from other

offshore banking centers is heating up and, despite their distance from West Germany, they are becoming a serious threat. To reduce the taxation on banks would now be political suicide, with the steel industry in poor shape and the second pillar of the Luxembourg economy, Radio-Television Luxembourg, undertaking a major invest-ment in a new satellite. One possibility being seriously examined by the Dresdner Bank is to arrange and manage the loans in Luxembourg, but to register the volume

Taxes in Singapore are 40-percent below Luxembourg rates, and some banks are starting to book new business in the Far East. Of course, a major loan cannot easily

be transported or refinanced in Singapore at the moment, It is possible, bowever, especially for the large commercial banks that already have established offices there. Profitable as this would be for the banks themselves, it would be a blow to the finances of the Grand Duchy.

For the moment, the West German banks are getting accustomed to the idea that they will be saddled with low-yielding portfolios for a long time and that the decline in the margins on syndicated lend-ing is unlikely to be reversed. Attention is being concentrated on winning private business away from the Swiss as fee income appears to offer the greatest growth prospects. There are also strong hopes that the West German economy will pull out of its recession as the year draws to a close.

- JASPER BECKER

American Banks Reduce Presence

SOME OF THE leading names in U.S. banking are to be found on Luxembourg's Boulevard Royal. But their contribution to business is, by any standard, dis-

appointing.
The arrival or departure each year of one or another of the banks reflects the half-beartedness with which New York regards their presence here. The U.S. banks were one of the first groups of foreign banks to arrive in the Grand Duchy, and their numbers rose to 16 in 1973; there are only nine now. Despite this drift away from the Grand Duchy, Manufacturers Hanover Trust set up a branch almost a year ago. The U.S. hanks came because at

the end of the 1960s it looked as though Luxembourg and not Lon-don would become the center of the Eurodollar market. The banks that stayed have found niches in the finance market in Luxembourg that are not always large but nearly always justifiably profitable. The Chase Manhattan Bank Luxembourg, the American Fletcher National Bank and the Bank of Boston have all in turn been forced to reconsider their presence but so

far have decided to stay. Citibank (Luxembourg) was set up in 1972 and, like some of the others, made the mistake of offering too wide a range of services. We quickly concluded that we had to specialize," said Gerard Fievet, its director. Now every-

thing we do is related to the Euro-bond business. The handling of private accounts, et cetera, was dropped." With an unchanged staff of 14, Citibank managed to make profits of \$1.2 million in 1980, mainly by acting as a paying agency, collecting coupons and in general being used as a depository

Correspondent Banking

bank for the London and New

Like most of the U.S. banks, Citibank carries out no treasury operations in Luxembourg. "We nev-er thought is was justified. This can be done better in London or Brussels," Mr. Fievet said. "But since Luxembourg is the second-largest center for Eurobonds after London, we have to be here."

Mr. Fievet sees in Luxembourg a potentially profitable business in correspondent banking, and plans to step up contacts with the 111 other banks to drum up more of this business. This commission-onented business allows local banks without an office in New York to use Citibank's office for dollar transactions.

Correspondent banking is important for the Philadelphia National Bank, but the Bank of Boston has also managed to make a

living out of private banking. Generally, however, the U.S. banks keep up a presence in Luxembourg less because of its attractions compared to other sites than because of the banks' global strate-

The principal reasons for us coming here at this rather late date," said Rainer Gebhardt, the managing director of Manufacturers Hanover Bank Luxembourg.
"is that we had different priorities to fulfill before considering Luxembourg. We first thought of it six to eight years ago, along with other international banks. But we first

The total rose to 16 in 1973 - and now only nine remain.

established ourselves in important commercial as well as financial centers like Milan, Bahrain, Hong Kong and Singapore. When this network had been completed, we again gave Luxembourg serious insideration."

Manufacturers Hanover's ambitions are for the moment concentrated on the correspondent banking sector. "We feel that we should show solidarity with those banks which have made a go of it bere. With our global orientation and strength, we felt it was proper that we broaden our relationship with those here," Mr. Gebhardt said. The bank has chosen a cautious

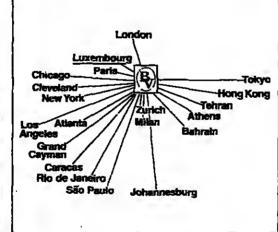
approach, starting with a staff of 10. The offices have room to accommodate as many as 30, however. "We want to explore asset management further but it takes time to assemble the clientele, since we do not want to compete with our offices elsewhere in Europe. We have also taken an active role in the interbank deposit market, par-ticularly in relation to our size, in order to demonstrate that we are available for business." Mr. Gebhardt said. The bank has also done some short-term deposit dealing and normal Eurolending.
—JASPER BECKER

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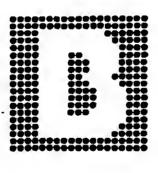
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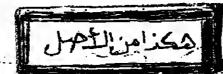
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1 Banks Banks Provide reseme Liquidity to Others

ONLY FOUR of the 11 Luxembourg banks of Swiss origin difficult for a bank to base its poliare independent subsidiaries of any importance, but they provide much of the liquidity for the other Luxembourg banks. The situation reflects the fact that, despite the considerable influence Swiss banks wield in the world, there are a limited number of Swiss banks large enough to have a real presence

The only foreign subsidiary of the Banque Populaire Swiss (the Volksbank) is in Luxembourg. It is there to rechannel the money placed in fiduciary accounts at the bank at home. The managing di-rector of the Banque Populaire Suisse (Luxembourg), Hans Egger, says that, although the fiduciary account business is not encouraged, "the increase is remarkable, totally in line with the overall increase of fiduciary business in Switzerland.

He could not say exactly how much fiduciary money is passed on by the parent bank, because any inflow of funds could also come from ordinary bank deposits. The total volume of money in Swiss fiduciary accounts increased 54 per-cent to about 130 billion Swiss francs in 1980 after a rise of 44 percent between 1978 and 1979. The Swiss central bank, the Na-tionalbank, bas for some time been uneasy about the growth of fiduciary accounts and would like to know where the money is going.

The banks are not required to say where the money ends up, only how much there is and whether it was placed by people living inside or outside Switzerland.

Tax Proposed

The attack on the fiduciary business has really come from another direction. The Social Democratic Party has tried to introduce a 5percent withholding tax on the interest paid on fiduciary accounts. The effect of this, the banks said, would be to drive the business outside Switzerland.

The Swiss lower house of parliament voted last week to give detailed consideration to the propos-al on fiduciary accounts, which are accounts that belong to non-residents but are managed by a Swiss bank. Earlier this year the upper bouse bad decided against considering the tax proposal.

Although the fiduciary business is lucrative, the banks themselves would rather the money went into savings accounts, where it can be

cy on money market deposits, which are much more volatile," Mr. Egger said.

Part of the objection of the So-cial Democratic Party stems from the mystery that surrounds the fiduciary depositors. Because they are anonymous, the depositors are apt to be pictured as oil sheikhs or Mafia chiefs. "It is true that people use fiduciary accounts so that no one on the moncy market knows whose money it is. But the Swiss banks at bome and abroad check out each potential client very carefully before they accept his or ber money," Mr. Egger said. The mon-ey is placed on the money markets the bank, but it is the client who bears the risk.

Flexibility

But most Swiss bankers agree that the fiduciary business has grown not because there are more Mafia bosses or oil sheikhs around but because the "high-net-worth individual," as be is called in the business, bas become more conscious of big interest rate differentials. If people put their money in three-month or six-month deposits, they have a choice - in fact they must decide where they want the money when the term expires. This flexibility means the returns can be greater although the risks, partieularly of exchange rate fluctuations, are higher.

The criticism of the liduciary account business has been aggravated by a development that has affected the Swiss subsidiaries in Luxembourg. On Dec. 31, 1980, consolidated accounting was intro-duced, so the assets of foreign subsidiaries are added to the assets of the parent bank. The parent banks then bave to have sufficient equity to match the solvency ratios in Switzerland. While the Luxembourg ratio is 3 percent, it ranges from 4 percent to 20 percent in Switzerland, depending on the nature of the risk.

The impact has not been immediate on the Luxembourg subsidi-aries because policy changes are in the bands of the parent bank, and as the move had been expected, the changes have been gradual.

The profits of the Swiss subsidiaries continue to be high. The net profit of the Credit Suisse subsidiary, the smaller of the big three Swiss banks, was 43.4 million Luxembourg francs last year. The the last year has been the issuing growth in the total balance sheet of certificates of deposit. Despite

-TIME OFF Cuisine: The Best of Two Worlds

By Mark J. Kurlansky

THE PEOPLE of Luxembourg are fond of saying that they take the best from the French and the Germans. In food, they say this means German quantity and French

The city of Luxembourg as well as the country is rich in quality restaurants. While the pastry shops with their elaborate cream tortes and marzipan show a German influence, the restaurants unquestionably owe a great debt to France. Not only is the euisine predominantly French in technique but the cooks themselves are mostly French.

The Breton chef and owner of the presu-gious Restaurant Saint Michel, Pierrick Guillou, even complains that it is hard to find local cooks. "The Luxembourgeois" don't seem to want to work in a kitchen," he conjectured. Nevertheless, eating is one of the best pastimes in the Grand Ouchy.

As in Belgium, local products and tastes find their way into the great restaurants, and the local dishes, considered too heavy and crude, generally stay in the homes and cafes. For example, the most famous Luxembourg dish is a sort of smoked pork and beans called judd mat gardebo'nen. Curing pork is a local specialty and the smoked ham from the Ardennes ranks among the best in the world. Another specialty is suckling pig in aspic.

Chefs eagerly use the river produce such as trout and crayfish but shy away from tradi-tional dishes like the fried platter that is a specialty of the Moseile Valley.

Among the chefs who are particularly adept at creating a cuisine from the local products is a native, Jean-Pierre Boden, who at 55 has been cooking for Au Gourmet in the center of the city for 35 years. This restaurant is in many respects French, and the influence appears in such dishes as the spectacularly prepared foie gras.

Many of the dishes have roots in the local

fare such as the truite farcie Grande-Duchesse (trout stuffed with minced mushrooms in a wine cream sauce). The good dry, fruity white wines of the Luxembourg Moselle are

was only moderate and at the end

of 1980 reached 52.1 billion Lux-

embourg francs, against 50.7 bil-lion in 1979. Most of the lending by the Swiss banks is interbank

business because the majority pre-

fer to leave commercial and politi-

cal lending to the parent banks.

Nevertheless, the Swiss banks are

net lenders to the Luxembourg

Money Market

business also means that the banks

have a relatively large part of their assets in money market instru-

ments, and a notable innovation in

The importance of the fiduciary



THE HOME OF THE HAM — A farming village in the Luxembourg Ardennes, a region that produces some of the best smoked ham in the world.

the base of many of Mr. Boden's sauces. Crayfish are served in a native Riesling sauce with shallots and tarragon finished in butter. As in most Luxembourg restaurants, the wine list has an ample local selection.

At Saint Michel, in the old part of town, the menu's emphasis on seafood reflects Mr. Guillou's Breton origins more than his current landlocked location. He calls his cuisine noinelle, then laughs and adds that the description is meaningless. A great deal of the menu is devoted to exploring interesting ap-proaches to seafood, such as oysters lighty heated in walnut oil or sole with goose liver.

Pastry Wagon

The pastry wagon shimmers with some of the magic that is boped for. Here the local cream with its natural sweetness plays a major role in the assortment of charlottes, isses and havarois.

Around a narrow, turning street from Restaurant Saint Micbel, in a wood-beamed auberge dating to the 16th century, is Um Bock, a restaurant owned by a chef from

to be made.

vested its equity in Swiss france

bonds, which went down due to

the increase in capital market

rates. Profits in 1980 were higher.

therefore, as fewer provisions bad

keep to interbank loans out of

deference to their parent banks.

Few loans are made to domestie

elients in Switzerland, as this

would mean "cutting into our own

flesh," as one banker put it. The

Credit Suisse tries to specialize in

short-term lending to large West German corporate clients, but the

Union de Banques Suisses is per-

haps more representative, with 85

The Swiss banks also tend to

Suisse in CDs. its managing direc-tor. Reinhard Schmoelz, thinks

slow because of the volatile and

The Banque Populaire, for ex-

ample, has cut back on securities.

dropping from 10 percent to about

percent of assets. The bank is in

other ways an anomaly among the

four Swiss banks. Its balance sheet

total increased by 50 percent in 1979 but grew by only 0.3 percent in 1980. The Banque Populaire de-

liberately avoided growth to im-

prove the structure of the balance

sbeet, as the net profit had been bad the year before because heavy

diffused interest-rate situation.

the development has been

Burgundy, Bernard Paquet, whose restless nature has led him even further from the local cuisine.

Mr. Paquet has cooked all over the world, including on board the liner France (now called the Norway). Two years ago, be came to Luxembourg, where he became fascinated with the cooking of the chef at the Soviet Embassy and decided to open a Russian res-

Such fare as salmon in a mousseline sauce with caviar, or marinated salmon filets with fennel served with spicy blinis, or delicate croquettes de barbue in a cream sauce are arguably Russian, even with the Russian folksngers serenading the diner.

An extraordinary dish called secret du bouc, a warmed goat cheese on toast with a cold cream and chive sauce, is of French origin. But if the authenticity is questionable the gastronomy is not, and the cuisine is per-fect with Luxembourg Moselles. It would have been interesting to bave visited Mr. Pa-quet when he worked in Egypt, where be says he made Middle Eastern food.

percent of its loan portfolio in inthe involvement of the Credit provisions bad been made for the securities portfolio. The bank in-

terbank lending.
The reputation of the Swiss banks for asset management bas attracted more private individuals to Luxembourg, and the Swiss see this as a blossoming business. Deposits have increased on average by 25 percent, partly because it is slightly cheaper in Luxembourg than in Zurich or London and because of the new law on banking secrecy, which eliminates Zurich's

monopoly on secrecy.

Mr. Schmoelz also believes that the private investor is becoming more canny and not only wants his money in different banks but also in different countries.

— JASPER BECKER

CEDEL had originally been favored by the banking world be-

Bond Clearinghouse Tops Expectations

CLIGHTLY MORE than 10 years after it was set up it Luxembourg, CEDEL, the computerized international clearinghouse for Eurobonds, is flourishing - a witness both to the extraordinary growth of the Eurobond market and to the leading role that Luxembourg has played in the Euromarket's development.

Even I did not expect, as

founding — and present — chair-man, that it would meet with such success," Edmond Israel said of CEDEL.

Last year, CEOEL (which stands for Centre de Livraison des valeurs mobilieres) moved into new premises and broke records. turnover figures for 1980 shot to \$80.25 billion against \$54.66 bil-lion the year before. The participatory banks and brokerage bouses now number more than 1,000 from 49 countries. Under its new managing director, Joe Galaszka, it cleared 3,500 issues in 1980 and held in safekeeping deposits worth more than \$27 billion. "When CEDEL started its oper-

ations in January, 1971, nobody could have foreseen that this multibanking corporation, active in the worldwide Eurobond market, would experience the rather ex-traordinary growth recorded by the figures published 10 years later." Mr. Israel said in the last annual report. CEDEL has managed because of this growth to reduce its fees eight times.

CEDEL fills a clear need in the international banking community for a neutral and fast clearing operation. Its efficiency has been boosted by an electronic bridge agreement with its rival Euro-clear, set up a few years earlier by the Morgan Guaranty Trust Discussions are continuing on streamlin-ing the fees charged by each sys-tem for bridge transactions, but the link has already resulted in enormous savings in interest losses. The competition between the two computers and their compa-

nies bas beated up, bowever. CEDEL has had to make new investments to keep bold of the lead it established a few years ago. The new premises bouse a computer whose capacity has been dou-bled, and CEDEL has become the first clearinghouse for state savings and gold transactions. Despite these efforts, a lot of

customers are turning to Euro-

cause of its neutrality (no bank can hold more than 0.5 percent of its shares). As a cooperative, it was free from the suspicions that the users of Euro-clear had harboned about Morgan Guaranty. It was feared that the U.S. bank would use the information passing through its computer for its own advantage.

It was then decided to turn Euro-clear into a separate company whose sbares were held by other banks. Cosmeuc though this move might be, it has served its purpose. Euro-clear now has douthe business bandled by CEOEL. Charles Ewert, manager of the Luxembourg stock ex-change, attributes this to the marketing skills of the Americans. It is also perhaps an indication that. despite the experience in international banking that the Luxembourgers have gained during the last 20 years, they have yet to match the flair and influence of bankers in New York.

A possible example is Eurex, a computer-assisted trading system for Eurobonds that officially went into receivership in January. Its chairman, Remy Kremer, the man-aging director of the Banque Generale du Luxembourg, cites poor marketing as one of the reasons for Eurex's failure.

The aim of Eurex was to rationalize trading in the vast secondary market for trading bonds. International bonds are now traded across-the-counter on a transcontinental scale, and it was designed to help both the dealers and marketmakers. Similar to the over-thecounter-market systems in the United States, it could present the best possible price to participants placing purchase or sale orders.

Eurex, created three years ago, was ahead of its time, Mr. Kremer now believes. "The dealers were not ready for it. A dealer is like a prima donna, and prides himself on his feel for the market. The introduction of a computer into what is felt to be a business carried on on the basis of personal relationships was psychologically unacceptable. The dealers felt that they would become appendages to computer. This was in fact not

Mr. Kremer believes that, as the secondary market for bonds continues to grow in importance and size, there will be a shift of opinion in favor of computerized dealing.

- JASPER BECKER

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> Albert Dondelinger Chairman of the Executive Board, BIL

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-Banking and Finance in LUXEMBOURG-

European Investment Bank: Big Low-Risk Lender

ESS A BANK and more a Community institution was the way a senior official of the European Economic Community chose to describe the European Investment Bank, which, from oew offices oo the Kirchberg Plateau overlooking the capital of Luxembourg, dispenses funds for projects inside and outside the

It is a bank oevertheless. Ranking second only to the World Bank among supranational lending agencies, the EIB borrows mooey on the international capital markets and makes loans for public and private projects. The bank's lending in the Community amounted to almost 3 billion European units of account (\$3.9 billion) in 1980. Long-term financing is given to projects that follow general EEC policy guidelines in areas such as regional development and industrial modernization within the Community.

The EIB was set up together with the other EEC institutions by the 1958 Treaty of Rome. It is a virtually autonomous insutution, with a board of governors com-posed of the finance ministers from each of the EEC countries.

The bank carries out a wide range of lending activities and has particularly close links with the European Commission's Credits and Investments Department, which is also in Luxembourg. This department has money to lend, too, both from the Community budget and through the so-called New Community Instrument (NCI), which was created in 1979 to allow

the Commission to borrow up to 1 billion European units of account oo the commercial mooey markets for lending toward infrastructure and energy-related projects. The Commission itself decides oo the eligibility of individual schemes for-NCI financing, but the EIB usually disburses the loans, acting as the Commission's ageot.

EIB Financing

Capital for the EIB is subscribed by the EEC members, with the bulk of the money coming from West Germany, France, Britain and Italy. The total subscribed capital stood at 7.2 billion units of account in January. But the largest portion of the bank's available financing comes from borrowings — principally public and private bood issues on oational capital markets inside and outside the Community and also on the international capital market. Since 1961, the EIB has raised more than 13 billion units of account through the issue of Eurobonds and foreign bonds and through syndicated credits. Borrowings in 1980 alone reached almost 2.5 billion units of account.

As a lending agency whose activities are aligned to EEC policy objectives, the EIB is not keen to channel finance into highrisk areas. "We concentrate on economically sound investment schemes," said Karl Georg Schmidt, ooe of the EIB's advisers in Luxembourg. "And in order to obtain the necessary finance, the bank needs a good credit standing on international capital markets.'

Two areas are high on the EIB's priority list: energy-related projects, and schemes that conserve or create employment. An EIB spokesman stated that energy projects supported by the EIB in the last four years alone should eventually provide extra resources or result in fuel economies that together should amount to an annual reduction in Community oil imports of about 50 million tons - about 12 percent of the EEC's current annual oil imports.

With almost 8.5 million unemployed in the EEC, employment conservation and creation is uppermost in the minds of those who make the decisions about EIB finance. Mr. Schmidt said that the employment factor was a major criterion in financing decisions. He said that roughly half the Community's financing for in-vestment was directed toward particular projects because of their likely beneficial effects in employment.

The unemployment problem has also been one reason that, in recent years, the EIB has directed more of its attention toward small- and medium-size businesses. The labor-intensive nature of much of the activity carried out in the small-business sector is an obvious reason for granting EIB loans to smaller projects.

The sheer size and distance of the EIB may in the past have frightened away some of its potential customers, and a scheme worked out in 1979 is intended to close this gap. The bank issues what are

known as global loans to financial institutions in each EEC country, which then ex-tend sub-loans for small- and mediumscale ventures. The EIB still appraises each individual project before giving the go-shead for the second loan.

Although the EIB is a nonprofit organi-

zation, it operates within the normal commercial banking system and its interest rates follow movements on the capital markets, where it obtains most of its funds. There are schemes, however, that allow borrowers to benefit from interest rate subsidies, granted either by national authorities or paid from the Community budget. Selected EIB loans may be eligible for interest subsidies of 3 percent from the EIB's own resources for projects in countries that participate fully in the European Mooetary System. Borrowers in Ireland and Italy have taken particular advantage

of this system. The European Investment Bank has seen its role in the Community grow considerably since it was set up 23 years ago. No other lending agency, apart from the World Bank, can match the EIB's borrowing and lending levels. Total EIB loans last year amounted to almost 3.5 billion units of account, against slightly more than 17 billion for the period of 1958 to 1980. But, despite the high-powered image that the figures tend to give the bank, EIB officials see the development of its links with small business as one of the most im-

- CRAIG ANDERSON

Latecomers, but Gaining

THERE WILL BE 113 banks in Luxembourg when the Isututo di Torino opens. All that is needed is the authorization from the Italian authorities, which, in the best Italian banking traditions, can be a lengthy business. Mario Giocopini, the assistant director of the Luxembourg Italian Bank, is sure that more Italian banks are on

the way. His own bank is giving way to a gradual appreciation by the Italrans of Luxembourg's possibilities. Its name is being changed to the Banco di Napoli, which has bought out the other three Italian sharebolders, Istituto Bancario San Paolo di Torino, Banco di Sicilia and Monte dei Paschi de Siena. The four had previously shared offices in London, Frankfurt and Paris, but each of these has become a fully owned subsidiary of one of the four.

The Italian banks are relative latecomers to the Grand Duchy with the first arriving in 1974. They now total five (the newest bank will make that six): the Lux-embourg Italian Bank, the Banco di Santo Spirito, Banco di Roma, Lavoro Bank International and the Societe Europeenne de Banqoe, owned by the Banca Commerciale Italiana. In terms of balance sheet size, the Italians are in the bottom half of the list. The Societe Europeenne de Banque had a balance sheet of 13.155 billion Luxem-

The hesitancy of the Italian banks to come to Luxembourg is partly explained by the conservative and inflexible nature of the Italian banking system and the tight control excercised by the central bank in

bourg francs in 1980, and the smallest bank, Banco di Santo Spirito, had a total of 1.92 billion.

banks to come to Luxembourg is partly explained by the conserva-tive and inflexible nature of the Italian banking system and the tight control exercised by the central bank in Rome. Another reason, according to Mr. Giocopini, is that until recently there existed no

double taxation agreement between Italy and Luxembourg. This has been negotiated, and the Italian banks will be encouraged to come in greater numbers with the blessing of the central bank.

Banco di Napoli

The Banco di Napoli, one of the oldest and largest Italian banks with 500 branches in Italy, believes that being on its own in the Grand Duchy will result in higher efficiency and higher profits. With a staff of about 30, the consortium managed to make a profit of 600 millioo Luxembourg francs last year. But with four banks in charge, decisions were hard to

Most of the business of the Italian Luxembourg Bank was with Italian corporate clients, exporting in the European Economic Com-

The bank is currently oot allowed to accept deposits from private individuals, at least not residents in Italy. Although the Italians are as keen as the French to take their money abroad, it is forbidden. In any case, Italians can smuggle their assets across the border to Switzerland, since it is much

The only private banking that the Italians do is for the civil servants working at EEC institutions

in Luxembourg and Brussels. - JASPER BECKER

Running Hard and Maintaining Position in the Offshore Banking Race

(Continued from Page 7S)

of Luxembourg are its central position in Europe, its good communications and infrastructure, the social and economic stability, the multilingual work force, and the fact that it houses many European Economic Community instituoons, including the European Investment Bank.

These are undoubtedly important assets. But, as a Swedish banker said, "The banks are all here because they find something they cannot find at home. But these are oot always the same things. Luxembourg is oo tax haven; the banks pay as much corporate tax as they do anywhere else. You have to look at the situation in the reference (Luxibor) in Frankfurt home countries of the banks to see and elsewhere. About 48 percent wby they are here."

The foreign banks' move to Luxembourg took place in waves. The U.S. banks were the first when they arrived in the 1960s, prompted by the Interest Equalização Tax. From a peak of 16 in 1973, dition, there is the threat that the embourg with the consent of the

they have dropped to nine. Londoo eventually proved more at-tractive, and these banks are now mostly preoccupied with portfolio management, correspondent banking and servicing of Eurobonds. Yet it is significant that, because of the sheer number of banks, Luxembourg has become big enough for Manufacturers Hanover to ig-nore the disillusionment of its competitors and set up shop last

The West German banks came next, and with 29 of them, they have made Luxembourg the capital of the Deutsche mark bond. Luxembourg rates for DM rollof the total bank liabilities are in marks. The last 18 months have been hard on some of the larger West German banks, with the Commerchank and Deutsche Bank showing no profits in 1980. In ad-

new West German banking law is central banks. Perhaps the most leading to a consolidation of balance sheets of foreign subsidiaries that could lead to further profit

The West Germans are drawn to Luxembourg by the historical and for some banks to allow them to linguistic links and the lack of syndicate foreign currency loans minimum reserve requirements. But Ulrich Damm, managing di-rector of the Commerzbank International, stresses that they merely act as an extended arm of the parent company to book business arranged at home.

Broadening Operations

The most recent group to arrive is the Nordic banks. With a greater degree of independence than the Germans, they are also often the only fully owned foreign subsidiaries of the parent banks. The tight monetary policies of the central banks at home and the need to finance oil import deficits with Euroloans mean that they are in Lux-

dynamic of all the banks, they are broadening their operations from financing domestic industries to seeking international clients. Restrictions are being eased at home syndicate foreign currency loans there and handle the export fi-

nancing of Scandinavian compa-The Swiss banks are limited in numbers but are a force as providers of liquidity. They, too, have been under pressure with the introduction of consolidated balance sheets. But the increase of funds channeled through fiduciary accounts has been "phenomenal," a Swiss banker said.

The other banks include a growing number of Italians (five, plus one soon to be set up), 13 joint venture banks, four Japanese banks, and a fairly stable and established group of Belgium, French and domestic banks.

The Banking Commission, set

up in 1945, has followed a policy of offsetting the risks inherent in the elaborate structure of the Euromarket by accepting only the most highly rated and well-known banks. The only rules are that a bank's capital must not fall below 3 percent of total borrowing, while assets equivalent to 30 percent of liabilities must be available within 30 days. Newcomers must also be repared to come with a relatively high amount of starting capital and to submit balance sheet statistics and forward exchange positions to the banking commissioner every month.

Policy Pays Off

The policy has paid off - so far there have been no embarrassing bankruptcies in Luxembourg. The real threats have come from out-side. The steady erosion of spreads on international lending and the need to offset the loss in value of long-term bonds led to a drop in earnings of 5 percent last year, but

at one point a drop of 25 percent had been feared. The growth in total bank assets has slowed, as has the number of new banks. At the same time. New York is planning to set up a free banking zone, which may take a share of the Enromarkets not only from the Bahamas or the Netherlands Antilles but from Luxembourg as well.

Membership in the EEC, which has done much to enhance Luxembourg's prestige, may also prove a danger. Progress is slow but the EEC Commission aims to harmonize the financial institutions and markets within the Community and this may destroy some of the legal freedoms that have helped to make Luxembourg more import-

ant than Paris or Amsterdam. . The benefits that the banks have brought to Luxembourg cannot be underestimated. Directly or indirectly, the banks now provide 20 percent of the state's income. Since 1945, the banking sector has created more than 7,000 jobs, but the working in banks has declined. Mr. Muehlen, the secretary of

state for finance, admits that there is no room for complacency if Luxembourg is to develop into a finance center that transcends the limitations of the Euromarket. The banks that are in Luxem-

bourg still bemoan the high taxes, the paucity of double taxation agreements, rising overheads and the lack of a foreign exchange market. Some of the larger German banks are oow considering book-ing some of their business in Singapore, where taxes are much low-

Environment Changes

In the current crisis, the Luxembourgers are adamant that there is no prospect of lower taxes for banks. Efforts are thus concentrated oo environmental improvements that cost little or nothing.

The company of the control of the co

Luxembourgeoise de la Dresdner Bank, thinks they could do more. He points out that there is still no law to oblige exernal auditors to examine the banks' balance sheets or to encourage highly qualified staff to come to Luxembourg. Tax incentives could be given. In addi-tion, he said, "The anthorities in Luxembourg should do more to sell Luxembourg abroad. In some places I go, they confuse Luxem-bourg with the came of a ciga-

"After the boom years, Luxem-bourg is now going through a peri-od of consolidation," said Edmond Israel, director at Luxembourg's oldest bank, Banque Internation-

ale a Luxembourg.

But is a policy of consolidation enough? To rely so heavily on the presence of foreign banks - which may decide to leave if legislation or controls at home are changed is too risky, traless at the same time Luxembourg manages to de-Volker Burghagen, the manager time Luxembourg manages to ing director of the Compagnie velop a momeonum of its own.

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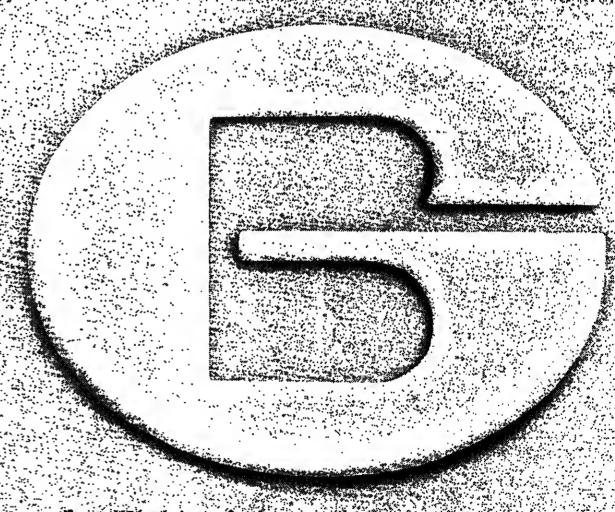
Total assets in 1980 reached Lfrs. 96.5 billion (US \$ 3.06 billion) compared with Lfrs. 71.5 billion (US \$ 2.5 billion) in 1979.

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TIME OFF

White Wines Of Quality, Little Fame

BORDERS ARE a curious thing. The Moselle River wriggles through a last value Both banks have sloped and terraced vineyards running up small hills with old, tidy villages facing one another across the river. On both sides, the same Riesting and Pinot grapes are grown. But one side is West Germany and the other Luxembourg — and a German Moselle and a Luxembourg wine have little in common except the varietal name on the

Some Luxembourg wine makers claim that their bank gets slightly better sun expo-sure than the German side. But the real difference is in the techniques and fermentation. The Germans stop fermentation while there is still a significant quantity of the grape sugar remaining, which makes a much sweeter wine. Luxembourg wine is almost always dry, often fruity — little-known and under-appreciated.

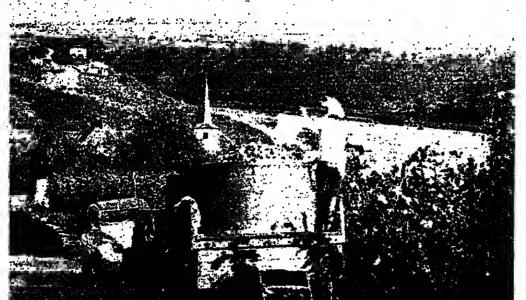
About half of the small production is sold in Luxembourg and most of the rest in Belgium. Chefs such as Pierre Wynants of Comme Chez Soi in Brussels, considered by many to be one of the world's great chefs, have a high opinion of Luxembourg wines and include

them in their cellars. The yearly production is sold out with most of the rest of the world never tasting it. It is hard to find a Luxembourg bottle anywhere in France. "It is very difficult to sell wine to the French," said Hubert Clasen of Bernard-Massard, an independent Moselle winery.

White Wine

The Luxembourg production, with the exception of a small quantity of Pinot Noir rose, is white. Almost half of the grapes grown are Rivaner, a hybrid of Riesling and Sylvaner that is favored for its dependable yield and quality. It makes a pleasant light wine when

tion is Elbling, a dry light wine that is preferred by the locals.



Grape harvest in the Grand Duchy's Moselle wine district. This year's crop shows promise.

the bottle called the marque na-

tionale. About 40 percent of the

production carries this label.

Such wine is termed vin de qual-

ite. A small percentage of the

vin de qualite is designated vin

classe, premier cru or grand pre-

Cooperatives

minded vintners have resisted

the idea of cooperatives, finan-

cial pressures have caused a

grouping process so that today only 8 percent of the produc-tion comes from independent

vintners, and one cooperative,

Vinsmoselle, controls three-

The independent vintners do not hide their irritation about

quarters of the national pro-

the conglomerate process. "The

cooperatives like to pretend that they are the only Luxem-

Although the independent-

mier cru (the best).

Luxembourg wine is almost always dry, often fruity — and little-known and under-appreciated. The yearly production is sold out with most of the rest of the world never tasting it.

There is also a fruity but very dry Auxerrois that seems to vary greatly from year to year, some very good Pinot Blanc, a Riesling of impressive character, and a small quantity of Pinot Gris and Traminer.

There is also a growing production of sparkling wine made in the natural refermentation process known as the Champagne method. Originally, Luxembourg Riesling and Pinot were used. Today there is no longer a surplus of still wine, partly because of some bad years, and much of the sparkling wine is made from French

and Italian imports.

The quality and labeling of the wine is controlled by the Luxembourg government. Wines that meet government standards and whose labeling authenticity is guaranteed by law have a label on the neck of

Clasen said. But times are, and have often

been, hard for these vintners in some of the most northerly vineyards of quality in the world. Spring temperatures that suddenly drop below freezing have caused disasters in many years. In 1949, the crop was destroyed. The past three springs have had too much rain and lacked sun. The total production for the three years was about 15 million liters, which used to be considered an average single year. The last really good year was 1976.

bourg wine makers," Mr.

This year shows promise in spite of some early damage. This month, when the flowers come out, is the crinical time, and the strong sun and gentle night rains seem ideal.

Most Luxembourg wines should be aged between three and five years. But if you go to the Moselle in November, you might get a chance to taste a local delicacy called Fiessenwiesen, the cloudy, monthold wine that is available for about three weeks. The Moselle people drink it while munching nuts and, according to one local connoisseur, end up with tre-

mendous hangovers.
— MARK J. KURLANSKY

Scandinavian Banks Flourishing

IN CONTRAST to the big West
German hanks in the Grand
Duchy, the Scandinavian banks

To of Den norske Creditbank,

"We are becoming more outward-looking in Norway, due to the bal
Sweden, and as higher liquidity rahave sailed through the last 18 months with flourishing profits and balance sheets.

The 12 Nordic banks represented either as fully independent subsidiaries or as partners in consortia form the second-largest group of foreign banks. All of them rank below the main West German and Swiss hanks in terms of balance sheet size, but together they exert a considerable influence on the mar-

They have distinguished them-selves by the speed with which they have settled down and the confidence with which they expect their operations to continue to ex-Den Danske Bank International S.A., which opened in August. 1977, is the largest Nordic bank and holds 12d place among the 112 hanks in Luxembourg. with a halance sheet total of 36.6 billion Luxembourg francs. The average age of the other hanks is also about four years, but the Norwegian Christiania Bank was in Luxembourg in 1970, followed hy the Den norske Creditbank (Luxembourg) S.A. in 1974 and the Danish. Finnish and Swedish

banks in that order. For most of the Scandinavian banks, the decision to come to Luxembourg was a step in the dark. Although many already had interests in London banks, most Scandinavian banks are, in comparison to the West German or British, too small to interest themselves in setting up more than one or two subsidiaries ahroad. Because of inexperience in offshore hanking the hanks waited for a few early settlers to justify their moves. With the arrival last au-tumn of the Gotabanken, the roll call of major Scandinavian banks

New Marketing Team

Those that have been in Luxernbourg a few years, like the Den norske Creditbank (DNC), are already doing well enough to start building new premises or hire ad-ditional staff. This June, the DNC brought in a new marketing team, raising the staff to 35, which will be housed in a new 2,500-squaremeter building.

While it is true that the Scandinavian banks came for much the same reasons, they should not be mistaken for a uniform block,

"Our activity has to be seen in the light of the Norwegian economy and its development," said Ole Aamodt, the new managing direcance of payments surplus. Other Scandinavian countries, like Sweden, have become heavy capital importers, so their banks may have found growing markets in their homes countries."

Why Luxembourg?

Aside from the Norwegians, the others were encouraged to go to Luxembourg by their central hanks to raise financing on the Eu-romarket for the substantial balance of payments deficits run hy the Nordic countries after the oil price rises. With its newly discovered oil and gas reserves. Norway

is in a different position. But why Luxembourg? The central hanks' policy of imposing tight restrictions on local institutions wishing to provide international financing to local companies meant that the hanks going abroad had to follow their customers. The Danish hanks that have gone to the Cayman Islands have done well there, but the islands are far away. For the larger Scandinavian hanks already established in London, Zurich and Paris. Luxembourg seemed the natural outlet for perhaps their first wholly owned subsidiary. And the easygoing capital ratios in the Grand Duchy suited the needs of medium-size hanks

better than those in London. The Luxembourg authorities emphasize that any bank wishing to settle must not be just a booking office for domestic husiness, but operate on an international level.

Norwegian Situation

The Swedish central bank, the Riksbank, extracted a commitment from Swedish banks applying to establish themselves abroad to keep 70 percent of their business Swedish-related. But the world being what it is, there is in fact no conflict of interest. As Bengt Senneby, managing director of the Skandinivska Enskilda Banken (Luxembourg) S.A., said, "The promise can be widely interpreted. as credit can be given to Swedish subsidiaries abroad. Swedish exporters and importers, and for financing the needs of importing countries. We are following the Riksbank's wishes, but it is not allowed to control us or look at our

To some extent, central banks can pul pressure on foreign subsidiaries through the head office, but the banks are in Luxembourg with the central banks' blessing. This has become even warmer recently

The Norwegians face a different situation. "We are changing active-ly from concentrating on funding the Eurocurrency needs of our customers in Norway — which over the past year can be covered at home — to also become an international financing vehicle of the DNC group," Mr. Aamodt said. "But the group, in international terms, with total assets of \$5.5 bil-

tios have been forced on many.

tion, is still not of any major size." Fearful of overheating the economy, the Norwegian central bank decided to encourage the export of capital by permitting, under supervision, assets in foreign currencies to be granted to residents and nonresidents alike. So far, however. most of the revenue from oil has been absorbed into the domestic

Other Directions

Den norske Creditbank has taken the initiative to develop business in other directions, such as foreign currency trading - in Scandinavian currencies only and loans to energy-related projects. During 1980, loans to customers. Norwegian and otherwise, increased by 28.6 percent to reach 13.83 hillion Luxembourg fr. acs. Of this, 65 percent went to companies involved in shipping, shipyards and offshore petroleum ex ploration,

The currency market will grow in Luxembourg. Mr. Aamodi be-lieves. Much of it is traded among the Scandinavian banks whose customers are themselves heavily engaged in common business and so need to cover sales and purchases in these currencies. It is, in fact, an extension of the forward markets at home used to cover exchange risks of exporters and importers outside Scandinavia.

Whatever the differences among the business pursued by the Nordic banks, all made at least pleasing profits in 1980 by most stand-ards. Den norske Creditbank showed a net profit of 118 million Luxembourg francs, 12.4 percent higher than the year before. In its sixth fiscal year, total assets grew by 60.7 percent to 28.028 billion Luxembourg francs, Last December, the bank raised a \$20-million subordinated loan to strengthen its capital base so that equity capital amounted to 1.885 billion Luxembourg francs at the end of 1980. Like most of the Nordic banks, deposits from Scandinavians abroad, meluding companies and private

citizens, made a welcome addition

to the banks' funds. The total assets of the Skandinivska Enskilda Banken (Luxembourg1 increased by 28 percent to 23.172 billion Luxembourg francs. a slower rate than the 46-percent rise of the 1978-1979 year. Gross profit was up by 3 percent, again a little disappointing compared to what had been hoped for at the beginning of the year.

Mr. Senneby cited the low margins on syndicated loans as a reason. The number of syndicated credits to developing countries dropped, the supply of money increased, but the banks had become more cautious. So everyone was throwing credits at OECD lOrganization for Economic Cooperation and Development] countries producing margins that were very low. Banks preferred to give credits to Finland or a Swedish company than 10 Brazil. Nonetheless, Mr. Sennehy's bank managed to increase its credit portfolio by 52 percent during 1980.

The Svenska Handelshanken

S.A. (Luxembourg), another Swedish bank, also registered a slowdown in the rate of expansion. Total assets increased by 22 percent to 20.498 billion Luxembourg francs, while the increase the year before was 66 percent, Meanwhile, in Sweden, the parent bank had a poor year, with a drop of 13 percent in profits. A similar report could be made about the other

Nordic hanks in the Grand Duchy. The Swedish state-owned consmercial bank, Privatbanken, came out of a recent survey 10 places ahead of the next Nordic bank as lead manager in syndicated Euro-loans. The trend is for the Nordic hanks to move from bulk lending to domestic clients, to competing for other international clients. This tendency is likely to be strength ened if foreign or domestic banks are allowed to bandle more of the

home-based custom. Mr. Senneby believes that 1981 will also prove a year of slower growth for the Nordic banks, but there are few indications that the banks are going to consider dealing in bonds or other securities.

The profits come from the credit portiolio and foreign exchange transactions," he said. As for competition among the Nordic banks. lead managers will always call their friends in the other Nordic banks to see if they want to join before trying anyone else. "Here, we are more like colleagues than competitors," Mr. Senneby said.

- JASPER BECKER

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Banking and Finance in LUXEMBOURG.

Government Priority: Diversity and Improvement in Financial Activities

I ing it a priority to diversify and improve Luxembourg's financial activities. "We no longer expect to expand at the rate we have done in the past, so we are now concentrating oo consolidating our gains." said Ernest Muehlen, the secretary of state for finance.

Pierre Werner, who has been premier since July, 1979, and who is a former premier, made clear at the beginning what his government's intentions were, and the infrastructure laws and institutions are being overhauled to match the demands being placed on them.

"It is really a case of trying to remove the disadvantages which Luxembourg has and other financial centers do not have. We are business goes to London which we mean getting the worse of both

vantages for the banks — we can-not afford it," Mr. Muehlen said. ies." were enough double taxation treatnegotiate these treaties with Lux-

Worthwhile Asset

They are nevertbeless a worthwhile asset. Reinbard Schmoelz, the managing director tion system is of German-Austrian of Credit Suisse (Luxembourg). said: "A lot of South American for this hybrid, but it tends to

THE GOVERNMENT is mak- not going to create special tax ad- could easily have done here if there

Priority has been given to the ne-gotiations of double taxation treaties. This is, as Mr. Muehlen ad- are moving as quickly as they can mits, a laborious chore and a diffi- on these agreements. A treaty was cult one for a small country like signed with Brazil this year, adding Luxembourg because many coun- to those with Denmark, Finland, tries - in South America, for ex- Italy, Sweden, Norway and ample - have little incentive to Morocco. Negotiations are under way with Spain, South Korea, Greece, Switzerland and Canada.

Another problem is the reform of the banking laws. The legal framework is based on the French Napoleonic Code, while the taxaEwert, the manager of the stock exchange, the German laws have still to be translated into proper

There are a number of legal reforms taking place this year. The EEC Banking Directive of December, 1977, is being implemented, bringing the Grand Duchy's laws in line with those of the rest of the European Economic Community on such things as banking secrecy, the right of establishment, control of group balance sheets and credit risks, and the calculation of the ratio between a bank's own resources and its assets.

Banking Secrecy

Mucb importance is attributed to the legal definition of banking secrecy, which had been observed but without sanctions for violations. The oew law will give bankers the same obligations as doctors or lawyers. For the private investor, it gives Luxembourg some of the appeal of Switzerland.

A second piece of legislation that should be adopted by the end of the year concerns investment funds, which at present exist in a judicial vacuum. The 80 funds will be put under the supervision of the banking commissioner and given the same tax status as holding

companies.
As far as diversification is concerned, the authorities have taken measures that have met with the measures that have met with the full approval of the banks. The value-added tax on gold transactions was abolished in 1979 after the West German and Swiss, at the height of the gold fever, applied the VAT to legal tender. Previously, coins were free of this tax. Only gold used for industrial purposes is gold used for industrial purposes is now taxed in Luxembourg. A law is also being drafted per-

mitting investors to submit certifi-cates of gold to banks anonymously to facilitate transactions. Arrangements have also been made to store the gold physically in Lux-

Stamp Duty

Another move to help the banks develop their portfolio management services was the removal of stamp duty on certificates of deposits, although this has yet to really

The banks themselves are trying to press for tax cuts. "We have no intention of becoming a tax havenorms and Jean-Nicolas Schaus, the No. 2 man in the Banking Commission after Commissioner Pierre Jaans. But in response to criticism about the lack of double taxation treaties, the government in 1978 decided to give tax relief first of 7.5 percent and then last August of 15 percent of corporate income tax on foreign revenue.

Since February of last year, a group of lawyers, bankers and offi-

cials has been meeting to clear up other legal problems or inadequapromoting education and training for banking careers, and there are hopes that a structured and specialized course will become avail-

The government also promised

to improve the parabanking sector

able at the School of Business and Administration. Tax Income

environment to attract insurance companies, stockbrokers and the like. So far, there are 14 credit institutions, five stockbrokers, live. leasing and facturing companies, and six firms involved in portfolio management. Mr. Muchlen is optimistie about attracting international investment and re-investment firms, and points to the decision by the West of England Ship-owners and Mutual Protection and Indemnity Association to come to

The drive to broaden Luxembourg's base as a finance center

worlds. According to Charles cies. There also have discussions in can be partly explained by the fact bone, bot he stressed that this was that the state's corporate tax inpercent of Luxembourg's corpo-

rate taxes come from the banks. in income partly to the lack of profits by two of the biggest banks, the Commerzbank and Deutsche Bank. But the Deutsche mark's value has declined considerably against the dollar, and as much as 48 percent of the assets of the Luxembourg banks are held in marks. The U.S. dollar has, in fact, declined in Luxembourg banks hit by unprofitable roll-over loans. In contrast, Mr. Muehlen pointed out, the smaller West German banks have had improved profits,

and the Scandinavian and domes-

tic banks have done well. Spreads

oot a problem unique to Luxemcome diminished in 1980 and was sourg. The consolidation of bank-stationary in 1979. As much as 80 ing sheets that the West German government plans is also not felt to be a source of major concern. Mr. Muchien attributes the drop Some West German banks have already started publishing consoli-dated accounts, and it might prove

banks with weaker capital reserves. The generally declining interest in Luxembourg shown by the U.S. banks is attributed to a misunder-standing on their part. When the U.S. banks came, they thought they could find the business bere from 45 percent to 37 percent of and were disappointed when they total assets. The major West German banks have been particulary with them," Mr. Schans said. Indeed, part of the reason why the West Germans or Scandinavians are on the whole doing well is that they provide a service for their cor-porate clients at home. "Credit for non-banking clients is a field which is more developed in Luxon loans have been pared to the

a problem only for the smaller

embourg than anywhere else," Mr. Muehlen said. The U.S. banks decided London was cheaper and their corporate clients could more

easily be served from there. "In the next 10 years, we hope to provide the legislation and infrastructure to encourage the banks to diversify, to build up the role of investment funds and other psrabanking activities," Mr.

Muchien said. The view from the Banking Commission is slightly different: "As long as there are international deficits to be financed, the Euromarkets are certain to exist for years and years. And the future of Luxembourg depends in part on the future of the Enromarkets. There is no question [of the markets disappearing] but there will be fluctuations in profitability as we have seen last year," Mr. Schaus

-JASPER BECKER

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GEOGRAPHIC ORIGIN OF BANKS IN LUXEMBOURG

Parties	Nember Of	· mampon	Nost Germ	Se Contraction de la contracti	章.	Switzerland	Soundhow	United State	1000	9	Modifica
1970	37	14	3	-4		. 4	•	7		2	3
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1973									•		
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June	76	14	16	4	1	4	2	15	2	7 7 .	11
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1976											
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1981		·									
Feb. June	112	12	29	6	5	7	14	11	4	12	12

. Banks in which no shareholder or group of shareholders of the same nationality hold more than 50 percent of the capital.

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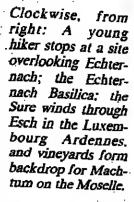
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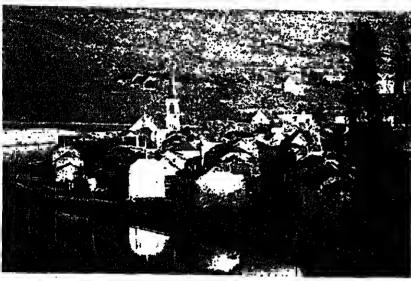


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MBOURG









up the Sure) to reach the dramatic

the Luxembourg part of the Ard-ennes forest is called. In Vianden,

the government is restoring a me-

Humsting Ruins

The ruins of castles appear haunt-

ingly on high cliffs over river triba-

taries. The forest is rich in game.

The rivers have trout and pike. For

the fly fisherman, insects are

This is an area for wandering.

dieval castle.

rges and cliffs of the Desling, as

Seeing Sights Is No Problem: They're All Nearby

THE GRAND Duchy of Lux-embourg, with its 1,000square-mile area, is like one of those small museums that may not have an extensive collection of anything but have quite a few nice paintings, and you leave satisfied that you saw the whole thing without being exhausted.

By car, bus, train or a combination, the country can be seen in a leisurely weekend. On foot, of course, it would take longer but the country does claim to be the densest in the world in walking paths and hiking trails.

Heading east from the city of Luxembourg, the Moselle River, which is the German border, is less than an hour away. This is the wine country with vineyards cover-ing both banks. The wineries are often open to the public. They are located in tiny medieval villages that periodically hold wine les-

tivals and tastings initiated with com-pah-pah bands and speeches. The town of Ehnen has a wine

museum in a restored winer where antique tools are displayed demonstrations presented and samples offered.

Rebuilt Town

Follow the Moselle to the Sure and continue along the German border to the town of Echternach. Although, with the exception of the 15th-century town hall, the town was destroyed at Christmas-time, 1944, it was rebuilt after the war with meticulous detail. Paints were developed to match local passand colors that centuries ago had indicated the trade of the oc-

Under the Basilica, vaults and passages dating to the seventh cen-tury were discovered. When exca-vators started clearing K-ration

By car, bus, train, or a combination, the country can be seen in a leisurely weekend. And it claims to be the world's densest in

tins and other debris from Patton's Our and up the Our (or keep going army out of a hole in the floor of the Church of St. Peter and Paul, they found a well. Before they reached the level of the Sure River. they were pulling out Roman ves-

walking paths and hiking trails.

Near Echternach there is good hiking in a rocky woodland called the Mullertal, which has been preserved by the Luxembourg government with the Germans as a wildlife park. The remains of a 12thcentury castle can be seen at Beau-

Follow along the Sure to the hatching at this time of year and

the trout can be seen rising and circling in pools like goldfish in a

Some hotels in the area own riv-er rights but the Luxembourg fishing regulations are complicated, and advance information from the Administration of Water and Forests (P.O. Box 411 Luxembourg) is heloful.

The most surprising thing about the Grand Duchy is that each of these things is a matter of minutes from the next, and even if you end up camping or fishing in the wilds of the Ardennes, on Sunday night you are less than an hour from the

-MARK J. KURLANSKY

Monetary Role Is Expanding

IT MAY BE merely symbolic but the renegotiation of the Belgian-Luxembourgian economic union (UEBL) has given the junior partner the right to alter the parity of the Luxembourg franc with the Belgian franc and to take part in the decisions of the Belgian central

The change will be embodied in the creation of a financial body in Luxembourg with many of the characteristics of a central bank. Called the Institut Monetaire Lux-embourgeois, it will gather under one roof functions presently carried out by the Finance Ministry, the Banking Control Commission, the statistical office and the Caisse d'Epargne.

What is perhaps a stronger indication of the weight that Luxem-bourg has in international finance

A new institution will centralize a number of monetary functions and permit the nation to play an active part in the EMS and the IMF.

is that the Institut will be able to take part in meetings of the European Monetary System and the International Monetary Fund instead of being there with observer

status.
The UEBL has now been renegotiated for the second time. But it bas been such a success that it is not too fanciful to say that it has served as a model for European integration. Until the extension in March, Luxembourg had no direct say in the decisions of the Belgian national bank even though the Belgian franc's fluctuations affected the Luxembourgian currency and Belgium's economy is in a far worse state than Luxembourg's.

Now, in theory, the Luxem-bourg franc could be independent in the European Monetary System, or could attach itself to the Deutsche mark, But Ernest Muchlen, the secretary of state for finance, dismisses this possibility and points out that independence is merely theoretical. "The Belgian franc is not going to devalue." be said, "and for us to go it alone would be disastrous." The Institut has no powers of intervention, so

the Luxembourg franc would become a football for speculators.

The government hopes to pass the legislation setting up the Insutut next year. A Banking Commis-sion official, Paul Zimmer, said. "It will not dramatically change our position. The Institut will chiefly supervise the domestic situation and act as an intermediary between the Luxembourg banks and the Belgium central bank."

There are fears, however, that it might lead to a real central hank that would want to control the Eurobanks' solvency ratios and con-trol the money supply, thereby en-dangering Luxembourg's status as an offshore banking center, In the immediate future, the effeet is that Luxembourg can issue larger banknotes of 500, 1,000 and 5,000 francs. These and the existing banknotes are only valid in Luxembourg, while the Belgian franc is valid everywhere. Only 4.5 percent of the 640 million francs in

circulation in the Grand Duchy are Luxembourgian.

The Banque Internationale a Luxembourg issues its own notes. as does the state savings bank under the direction of the Belgian na-tional bank. The BIL's privilege goes back to 1856, when it was founded concurrently with the savings hank. The right to issue notes is shared in Europe only with the

— JASPER BECKER

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May 1981

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March 31, 1981

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Banking and Finance in LUXEMBOURG

U.S. Banks Gear Up For Euromarkets

By Karen W. Arenson New York Times Service

TEW YORK - Banks will oot seem much different. They will be able to transact the oew business from their old headquarters, using the same offices and the same personnel, as least for a while. But the new business represents an enormous opportunity.

Banks in the United States, the Federal Reserve board decided this month, may go after the corporate and government borrowing business now transacted in Europe, the Far East and island outposts in the Caribbean.

Challenge to London

After years of appeals by U.S. banks, the Fed agreed to suspend most regulations on foreign business conducted within the United States. As of Dec. 3, the banks will be allowed to create "international banking facilities," or IBFs. The decision means that New York, the capital of U.S. banking, could in time challenge London as the capi-tal of world banking.

The business involved is consid-

erable. It is a \$700-billion-plus pool, known as the Euromarket, that circulates in the international marketplace. The business has not been denied U.S. banks; many have been able to pursue it through offices they set up in London and elsewhere. But now, with less cost and inconvenience, they can try to do such business at

Creating Environment

"What the IBFs will do is create an environment where the regulatory reasons for leaving are being climinated," said Bryan Walsh, a senior vice president at the Irving Trust Co. "initially the effects may be small, but over time they will evolve into major money centers a la London,

"This is an extremely important development on the path of dere-gulation," said Richard Aspinwall, a vice president at the Chase Manhattan Bank, "and it will return major financial business to the United States, and New York, that rightfully should have been here already.

The Fed will impose a few re-straints to protect the domestie banking system from abuse. The new business will be limited to foreigners, for example, and money raised through the facilities must

tions cannot be for less than \$100,000, and depositors must give two days notice before withdrawing funds. Bot U.S. banks are not expected to find such restraints

Outside Europe

It was a variety of regulations in the 1960s and early 1970s that prompted U.S. banks to start conducting business from branches abroad. The dollar-denominated loans they made there, often shared with other U.S. and foreign banks, came to include dollar-decominated bond offerings conducted abroad.

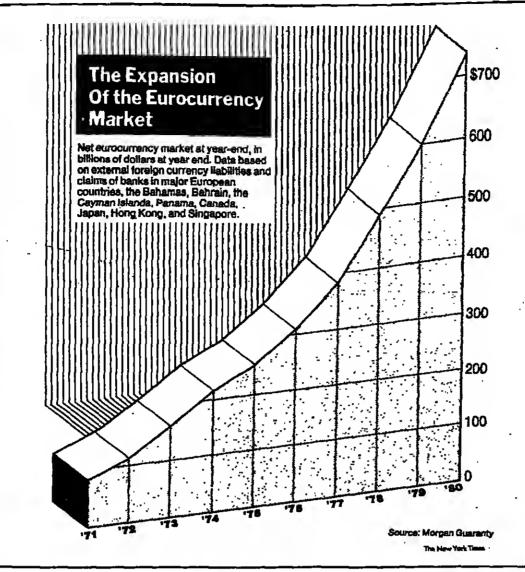
Gradually, as these banks also began to take deposits and make loans in other currencies, the market became known as the Eurocurrency market or simply Euromarket. The term also came to encompass business done outside Europe in the Middle East, Asia, the Caribbean and South America.

Bankers say that it is difficult to estimate how moch of the Euro-market business will move back to the United States. Whether customers choose to move, they say, will be influenced by these factors:

· It will depend on whether interest rates in the new banking facilities are competitive with those in other financial areas, such as London or Nassau. Uotil oow, the extra cost of reserve requirements has meant that U.S. banks have bad to pay less on deposits and to charge more for loans. Rates in the new international banking facilities and those available elsewhere "should be almost identical," said Glen Smith, a group vice president at the Bank of America,

 It will depend on how much concern a customer has about the risk of having money in another country. There is a reasonable prospect that a considerable portion of foreign depositors will be a little more comfortable with their money in the United States than in some other financial centers," said Peter Howell, a vice president at Citibank. "But that factor will probably be pretty minimal with respect to Loodon and other European centers."

• It will depend on geographic convenience. Foreign customers may find it more convenient to do their banking close to their own operations or at least in the same



Even if customers do not rush to move their business, bankers may try to do some shifting themselves because it is both easier and cheaper to centralize their operations.

"From our standpoint, the really big deal about the international banking facilities is that they will allow us to exercise greater control over the management of our assets and liabilities," said Scott Rey-nolds, a senior vice president at the Bankers Trust Co. "As things have gotten dispersed to different tax havens around the world, keeping things under control becomes a lot more difficult. There are great benefits to more centralization."

Bankers predict that only a portion of the business that has sprung up in other financial cenbut less of the business in Europe and Asia — is expected to do so.

Robert Walker, vice president

and associate general counsel at the Continental Illinois Bank and Trust Co., said: "The lesser financial centers are really just locations where it is convenient to have depository and loan busicess booked, rather than dynamic marketplaces."

Easing of Rnies

The Federal Reserve said that it would anthorize banks to conduct some international business free of reserve requirements, interest rate ceilings and most other regulations governing domestic banking. Some states, such as New York, have also voted to exempt this business from state and city taxes, which the banks view as another prereters will flow back to the United quisite for competing successfully States. Much of the business in the Caribbean and Latin America — number of states, including Cali-

fornia and Illinois, have been considering such legislation.

Bankers say that they do oot expect any major shifts of business immediately. What is more likely is that new loans that might previously have been booked elsewhere will be set up in the United States. Existing loans will probably re-main where they are until they are paid off.

What all this will mean for New York and other financial centers is oot clear. When banks started advocating international banking fa-cilities, they argued that those fa-cilities would bring jobs to the United States from abroad. But bankers say that, initially at least, there is likely to be relatively little staff movement. Many of the loans listed on the books of the banks' Caribbean branches, for example, are arranged by bankers working in other cities. So moving that siness to the United States will oot involve moving people.

A Colossus In Economy Of Nation

TN LUXEMBOURG'S micro-I economy, the steel industry, represented by ARBED, is a giant. It is the fourth-largest steel con-cern in Europe. In Luxembourg, it supplies more than 50 percent of total exports and directly employs 18,000 people. More than this, it is a multinational enterprise with interests and subsidiaries throughout the world. Its Luxembourg work

force is only one-fifth of its total

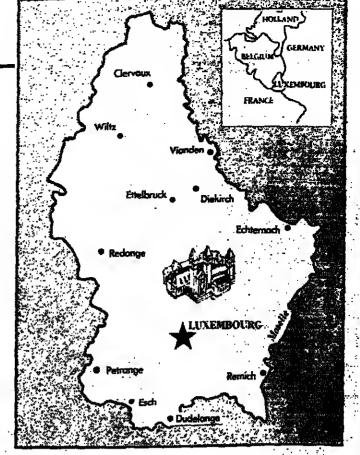
work force. With the steel industry in its gravest crisis since the 1930s, it is no wonder that ARBED is placing unprecedented burdens on the state's resources. The ARBED management is now more than ever a part of the government. Luxembourg's trade deficit of more than 19.1 billion Luxembourg francs can directly be attriboted to the European slump in steel demand because ARBED exports nearly 90 percent of its producis. The accompanying 20- to 25-percent drop in prices has had a severe impact on the future of every Luxembourger.

The future does not look good. Surplus capacity in Europe is about 50 percent, according to some calculations, and by 1983 the European Economic Community is expected to have a surplus ca-pacity of 23 million metric tons.

The crisis is by oo means new, but last antumn the Davignon Plan, which had managed to pre-vent the market descending into complete chaos, collapsed. The European Commission declared a state of "manifest crisis," which gave it far-reaching powers to con-trol production and prices under the terms of the European Coal and Steel Community Treaty. These powers expire at the end of the month, and there is not yet a complete voluntary agreement among the steel producers to take

ARBED can justifiably feel that it has done everything in its power to keep itself competitive with the rest of the European industry. Well before the last steel crisis set in in 1974, it was diversifying abroad and concentrating on upmarket, high-quality prodocts. Nonetheless, steel production fell last year by 6.7 percent, 19.5 percent below the 1974 record.

Since 1975, it has pushed ahead at ever-increasing speed with a ma-jor investment and restructuring



rogram that between 1979 and 1983 has required 36.5 billion Luxembourg francs. Total investment m 1980 as a result of the unfore seen deterioration in the market had to be revised upward from 3.7 billion Luxembourg francs to 4.1 billion and is likely to remain at 4

billion a year.

The social cost in a country as small as Luxembourg has put enormous strains on everyone. Since 1974, 6,263 jobs have been lost and there are plans for a fur-ther cutback from 18,000 to 15,600. Despite this, there has been an obvious concern for social justice, even at the cost of risking competivity. Labor costs per metric ton of rolled steel increased by 5.1 percent in 1980.

Investment Program

The investment program has en-sured that ARBED is as efficient as any in Europe. All the steel produced in the Grand Ducby comes from oxygen furnaces. Eventually ARBED also plans to have all its plants using continuous casting equipment. Last November, the first of these processes came on stream at the Esch-Schifflange

ARBED's competitiveness bas caused problems for its oeighbors in the so-called Charleroi Triangle in Belgium who bave felt threatened by the more efficient plant which the Luxembourg group was bringing on stream. In February, a new agreement was reached between the Belgian and Luxembourg steelmakers following the merging of the Cockerill and Charleroi groups. This allows ARBED to go ahead with its oew cold rolled steel mill at Dudelange, which replaces a previous plant. Io addition, the agreement means

that ARBED will maintain cold rolling sheet capacity at the continmar subsidiary in oorthern Belgi-

The Luxembourgian company is also closely tied to a number of companies in the Saar in West Germany. Two years ago it took over the Rochling-Burbach Co., which itself holds 97 percent of the Neuenkircher-Eisenwerk and has 23 percent of the shares of the Acieries de Dilling. In the steel pro-cessing sector, the ARBED subsidiary, the bolt makers Kacher and Baner & Schaurte, merged with the mechanical engineering company PHB and Weserhoette. The two mergers have led to the creation of units of considerable industrial

size and commercial scope. The next stage is for Luxem-bourg to negotiate the management of a oumber of companies in West Germany that are engaged in various areas of steel processing to ensure coordination.

ARBED is beavily dependent on imports for its raw materials, especially iron ore and coal. It has coal mines in France and the United States but also needs to import ore from France, Brazil and Sweden, which has become ever more expensive. In order to guarantee the long-term supply of materials, ARBED is consolidating its investments in U.S. and Brazilian mining companies through its holding company SIDARFIN.

Despite all these changes, ARBED has still managed to in-crease steel deliveries by 1.3 percent in 1980. But on a turnover of 45.413 billioo Luxembourg francs, the group, despite profits from abroad, had a net loss of 1.583 mil-

-JASPER BECKER

giot



The Renaissance balcony, a handsome architectural element of the Maison de Raville.

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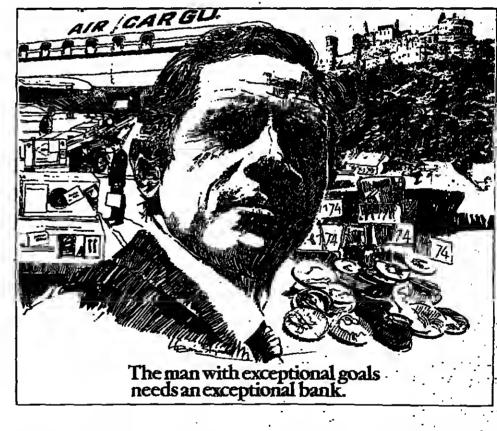
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1123, Luxembourg. Telephone: 477101-1 (general), 5 93 35 (currency transactions), 474144 (securities transactions). Telex: 1415 blg lu (general), 1213 bfg lu (eurrency transactions), 5152 bfg lu (secu-

		1980	1979
Balance sheet total	DM	8,513m	6,076m
Due from banks	DM	3,456m	2,315m
Due from customers	DM	4,455 m	2,622m
Due to banks	DM	7,372m	5,260 m
Due to other creditors	DM	630m	420 m
Equity capital	DM	201,3m	179m
Net income for year	DM	14,0m	12,7 m

BfG:Luxembourg

The key balance sheet figures at a glance



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Volker Burghagen







Men at the Top: Driving Forces, Linguistic Leanings

A S ONE OF the most senior of the Laxembourg bankers, Albert Dondelinger shows breezy good spirits that belie the authori-ty his voice carries in Luxembourg hanking circles. As chairman of the oldest commercial bank in the Grand Duchy, his career has had a surprisingly international flavor. After gaining a doctorate in law at the Catholic University of Louvain in Belgium, he served a spell with both the World Bank and the International Monetary Fund.

Since then he has at various stages held nearly all possible pub-be offices connected with banking in Luxembourg: banking cootrol commissioner, chairman of the Luxembourg Bankers Association, adviser to the finance minister. among other things. As a spokesman for Luxembourg in interna-conal forums, Mr. Dondelinger has taken part in North-South discussions and has served on the Governor's Committee of the EEC Central Banks and the IMF Interim Committee.

"I have the impression that the international situatioo is under control," he said, expressing his cautiously optimistic view as the Polisb debt rescheduling crisis fades from the news.

He said that, while 1980 was a special year, the very high profits of the 1970s are not likely to return. As chairman of the Banque internationale a Luxembourg he can have few complaints after its. highly successful year.

"I never wanted to become a banker but a professor of linguis-tics and philosophy," Edmond Is-rael said with a smile. Nonetheless, he has spent more than 30 years with the Banque Internationale a Luxembourg. In addition to being one of its directors, he is also a di-



Remy Kremer

CEDEL, the international bond

Mr. Israel finished his educatioo abroad at the University of Montpellier in France. Having witnessed Luxembourg's rise as a financial center, he is in a good position to comment on its present sit-uation, which he sees as a phase of consolidation. -

He was one of the driving forces behind the creamon of CEDEL, which is based in Luxembourg, but he says he is surprised at the clearing system's success.

At 53 Remy Kremer is, like many of the leading figures in Luxembourg banking circles, comparatively young to be the managing rector of the Luxembourg stock director of one of the most success-exchange and the chairman of ful and oldest domestic banks, Un-

der his leadership the Banque Generale du Luxembourg is cootinuing to expand, and a difficult year has not prevented the bank turning in

a sizable profit. For Mr. Kremer a doctorate in law has proved an ideal qualification for a banking career. Having started at the Banque Generale in 1954, well before the Euromarkets sprung up, he has seen the bank from a modest retail bank to universal one.

The international hanks brought the business here. Without them we would never have thought in the same volumes," he said. Part of the attraction was the Luxembourg Bourse, and Mr. Kremer is its administrator and a former president.

Mr. Kremer was ooe of the movers behind the attempt to set up the computerized bond-dealing system, Eurex. It folded this year, hut Mr. Kremer believes that the idea was good but the timing a litde premature.

One of the first people a banker will meet if be is thinking of set-ting up an office in Luxembourg is the banking commissioner, Pierre Jaans. He must make sure that the hank is established and has solid resources, and the Banking Commission scrutinizes the bank's managerial staff as well.

At 45. Mr. Jaans is described by one of his colleagues as having the these are hardly used. The control exercised is felt by the bankers to be sensitive and careful. In a small place like Luxembourg, relation-ships are on an amiable and friendly basis.

He was appointed commissioner in 1976 by the government after serving a spell as general-secretary to his predecessor and having gathered international experience at the Organization for Economic Cooperation and Development in Paris and the Bundesbank in

It is the task of the secretary of state for finance, Ernest Muchlen, to carry out the promise, made by the current government, to round off Luxembourg's financial profile. He is well-qualified for the task, having developed an insight into the financial operations in Luxembourg and outside as a financial journalist. He has, in fact, woo a number of prizes, including the Becelux Journalist Prize of 1969.

He has also worked for many years at the European Commis-sion. During the 1950s, he was the senior adminstrative officer of the European Economic Community's press and information department; later on, between 1968 and 1973, he dealt with cooperation between the European Commission and the European Investment Bank.

Mr. Muehlen conducted the renegotiatioo of the economic union with Belgium. The Luxembourg franc could now be valued independently of the Belgian franc, but Mr. Muehlen stresses that this is a

theoretical option. Under his guidance, the administration of Luxembourg's finances and banking control will be merged under one roof as the Institut Monetaire.

One of the most outspoken figures among the foreign bankers in Luxembourg, Volker Burghagen has heen looking after the Dresdner Bank's Luxembourg subsidiary since 1972. He has also helped to make the Compagnie Luxemonurgeoise de la Dresder Bank the most successful of the hig three West Germao banks. The Dresdner has proved to be something of a pacesetter for the Germans as a whole.

Like all the bankers in Luxembourg, Mr. Burghagen speaks per-fect English, which he needs in his other capacity as joint general manager of the Dresdner's New York Branch, Characteristically, like many of the bankers who have seen Luxembourg grow during the last decade. Mr. Burghagen identi-fies strongly with the place and speaks with some enthusiasm about its future.

-JASPER BECKER

Japanese Maintaining a Low Profile

TN JAPAN there has been agradual liberalization of restrictions on international hanking. At the end of last year a new Foreign Exchange and Foreign Trade Control Law came into force, which liberalized foreign exchange transactions. But the Japanese banks are still bampered in their el-

forts to diversify funds abroad. In Luxembourg, there are only four Japanese subsidiar-ies: The Taiyo Kobe Bank (Luxembourg), the Nikko (Luxembourg), the Bank of Tokyo (Luxembourg) and the Indusurial Bank of Japan (Luxembourg).

Permission to open a new office abroad is strictly conirolled by the central bank, which also influences the choice of location. The first Japanese bank arrived in December, 1973, and by the eod of 1978, all four were in operation. Since then, others have considered the move but there are no indications as to whether they will go through with it. London is in many ways a more attrac-tive possibility but many Japanese have already gone to Amsterdam and Brussels. Singa-

pore and Hong Kong are, how-ever, usually looked upon as the first priority.

The Japanese hanks are all here for quite different reasons. which depends on the structure of their network of other foreign subsidiaries and branches." said Yoshio Nakanishi, the managing director of The Taiyo Kobe Bank (Luxembourg). His bank has offices in more than 20 foreign locations and recently opened a new hranch in Singapore. The Luxembourg office still represents the bank's first subsidiary of this kind in Eu-

Overseas Assets

rope, bowever.

Wherever they are, the Japanese banks seek both to service the needs of local Japanese companies and to raise money on the interbank market. The higgest Japanese hanks have overseas assets that are now estimated at between 20 percent to 30 percent of their total. Their long-term overseas lending with fixed interest rates usually has to be supported by short-term borrowings from the Euromoney market. The Japa-nese hanks in Luxemhourg, in looking after the interests of

Japanese companies in Europe. appreciate the nation's central

The subsidiaries are small, however. The Bank of Tokyo and the Industrial Bank of Japan are the largest, with each having total balance sheet assets in the beginning of last year of little more than 8 billion Luxembourg francs, After three years in Luxembourg, The Taiyo Kobe hank had in March assets of 7.5 billion Luxembourg francs and fully paid up share capital of 250 million.

The profitability of the Japanese banks in Luxembourg has so far not been as good as was hoped, although three of them have not been there long. The reasons generally cited for this are the volatile market and the fact that Japanese capital has been attracted to the high U.S. interest rates. Another difficul-ty is that the Japanese concentrate on lending and borrowing activities without having other business to fall back on. But this may slowly change - the gold market is being given serious consideration. for in-

—JASPER BECKER

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TOTAL ASSETS 18.884,124.476

Customers Deposits 3.171.093.984 Other Liabilities 605.421.465 Capital 500,000,000 Reserve & Provisions 547.245.111 Profit 1980 after tax

LIABILITIES

stance.

TOTAL LIABILITIES 18.884.124.476

Deposits from Banks 13,992,900,388

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-Banking and Finance in LUXEMBOURG-

RTL Is Taking a Chance on Europe-Wide TV Satellite | Struggle Over EEC Intensifies

rope, it had to muscle its way into

At the moment it lays claim to

being the most-watched station in

Belgium and a large slice of north-

ern France. As a radio station its reputation goes back 50 years. To-

day the radio has about 1.5 million

listeners in Europe every night as it broadcasts from a villa in Luxem-

bourg. RTL also has up-to-date

studios off the Champs Elysees in Paris, which are producing televi-

sion programs and audiovisual

productions. Radio Luxembourg

broadcasts for German-.

satellite television.

TT TAKES a certain amount of a courage to prepare to launch a satellite that might end up costing more than \$20 million when you are not even sure that you will ever

be allowed to have an audience. Radio-Television Luxembourg is in danger of finding itself in this position. The plan is for RTL to put a satellite in orbit with the help of either the U.S. space shuttle or the European Ariane that would give it a Europe-wide television au-

The snag is not so much finding the money but getting the French and West German governments to agree to it. as their radio and television media are generally state-controlled. So far they have been firmly opposed. Expectations that there will be changes in the French media because of the Socialist victory do not yet extend to accepting commercial television on this scale.

Despite Luxembourg's appeal to ly pariners to show a European

The snag is not so much finding the money but getting the French and West German governments to agree to it, as their radio and television media are generally statecontrolled ...

spirit, it is going to have to come up with something stronger if it is to overcome political opposition on this scale. It has some backing, however. The plan came from a de-cision in 1978 at the World Administrative Radio Conference to give the Grand Duchy five chan-nels for direct satellite hroadcast-

Leading Network

RTL realized at that time that, if it was to build upon or even hold its position as the leading commercial broadcasting network in Eu-

More than entertaining a weekly audience estimated at more than

40 million, RTL has its own symphony orchestra and has interests in publishing film distribution and the national airline, Luxair. Therefore, RTL is a major employer and one of the biggest taxpayers. It also means that a lot is hanging on the outcome of the satellite project. Last year RTL made a net profit of \$27 million and paid taxes in one way or another amounting to \$46 million. This could well be swallowed up in the 10-year plan for the satellite. But the gains from reaching a potential audience of 80 million are attrac-

Media Policy

The idea has raised much opposition in West Germany, but it has been supported by some West Ger-man newspaper publishers. The Bundesverhand deutscher

Outch- and Italian-speaking audiences.

Zeitungsverleger are joining with Luxembourg to establish the Compagnie Luxembourgeoise de Telediffusion (CLT). This company will launch the satellite in which Radio Luxembourg has a 51-percent stake and the West German press 25 percent.

No Money on Table

The decision in March by the press was interpreted by the West German Social Democratic Party as a declaration of war against media policy. The newspapers see it differently. According to them, the halance between the commercial press and the state-owned radio and television companies is al-ready distorted. And, since satellite television is bound to come anyway, they feel they might as well get in on it from the start.

But nobody has yet put any money on the table, and the earli-est possible date for a satellite launching is 1985. Meanwhile, nobody is quite sure what sort of programs will be broadcast. Equally pertinent is the question of how the viewer will receive programs. Satellite television needs either a dish antenna on one's own roof or a cable from someone else's. In fact, what is imagined is a cable network, which would require a larger degree of governmental co-operation if its is ever to be laid.

For RTL, the decision to go ahead with the project is a calculated gamble — not only because the governments in question hold the power to pull the plug out of cable television now and at any time in the future but also because the programs might not reach a large enough audience to make it worthwhile.

-JASPER BECKER

The Grand Duchy has invested a lot.

WHATEVER the final decision is on the permanent site of the European Economic Community's institutions, there will be a lot of angry people and a number of luxurious offices and conference centers standing empty.

At the moment, the EEC's orpanizations are distributed in three cities, Brussels, Luxembourg and Strasbourg, but the EEC treaties state that these sites are only provisional. In the meantime, a considerable amount of money has been invested in duplicating buildings and infrastructures to accommodate EEC civil servants and oarliamentarians.

The European Parliament has set itself the task this month of deciding where it wants to be based. The EEC treaties in fact stipulated that the final decision of the site of the Community's institutions rests with the governments of the memher states. At the last summit meeting in the Netherlands, the EEC heads of state discussed but again failed to reach agreement on the issue.

The Parliament now has an impressive new building close to the European Commission in Brussels. where committee meetings are held and part of the secretariat's work handled. It has so far mostly held its plenary sessions in Strasbourg. where it also has offices and a hemicycle borrowed from the Council of Europe.

According to EEC agreements, the Parliament's secretariat is to be located in Luxembourg. And in order to lure the plenary meetings bourg built a hemicycle alongside the other buildings at Kirchberg. It and the outcome is uncertain...

was completed last year at a cost of 1.2 billion Luxembourg francs but has rarely been used, and the Luxembourgers suspect that it will never again be used, at least for the Parliament.

Economic Impact

In a country as small as the Grand Duchy, the presence of the Parliament and other institutions is more than a question of prestige. The well-paid employees have an impact on the Luxembourgian economy. The EEC employs 6.500 ople in Luxembourg, who work for the European Court of Justice, the Court of Auditors, the European Investment Bank, the Statistics Office, the European Parliament

and the Commission itself.

Many of them like Luxembourg. where they do not pay income tax-es and ger luxury goods free of val-ue-added tax. The non-Luxem-bourgian officials and their fami-lies number 10,000, and about an additional 7.3 billion Luxembourg francs of huying power to the economy. In return for this, the state is spending 10 billion Luxembourg francs out of its 1981 budget on measures to enable the city to accommodate the EEC's institu-

The EEC buildings, concentrated on a plateau three kilometers outside the city of Luxembourg, were opened in 1966. The Kir-chberg Plateau is linked to the city

by a metal bridge and a fast highway. Scattered around this verdant field are modernistic steel and glass structures. Like most of the buildings, the new hemicycle is an impressive piece of well-designed modern architecture. It is constructed as a series of terraces leaning against the slope of one of Luxembourg's ravines and is equipped with every conceivable

Despite this, the parliamentari-ans are not enthusiastic about making it their permanent home. Nor are they content with their present lifestyle, which has come to resemble that of a traveling circus. Traveling with them from Brussels to Luxembourg to Strasbourg are a large group of staff and a mountain of documents in each Community language.

The parliamentarians have be-come accustomed to holding their assemblies in Strasbourg, which was initially chosen because it bad a chamber large enough to accommodate all its members. And, in all fairness, it must be said that Strasbourg is generally regarded as the prettier town, with a historical tradition of being the link between Germany and France.

Many parliamentarians favor Brussels because is the true seat of the EEC's power. The Council of Ministers and the Commission are based in the Belgian capital, as well as nearly all the lobby groups. But Brussels has yet to build a chamber large enough to accom-modate the 510 members of the Parliament. The possibility of building a hemicycle for the Parliament is being discussed hat no decision has been made.

- JASPER BECKER

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Small Town Puts Festival On the Map

CHTERNACH, a small town on the Sure River in the beart of a hilly region sometimes called the little Switzerland of Luxembourg, has been trying since the 1930s to create an annual music festival of international standing. In its eighth consecutive year, the festival is achieving that goal.

Jointly sponsored by Echternach and the city of Luxembourg, the festival, which has events in both locations, is presenting 34

Thirty-four concerts of classical music and four days of jazz are being

presented in this year's event. The participants range from Mstislav Rostropovich to Dizzy

Gillespie.

classical concerts and four days of jazz. It is taking place this month and runs through July 19.

Cellist Mstislav Rostropovich and his wife, singer Galina Vishnevskaya, performed Russian songs; Rostropovich will do an evening of Bach in July; guitarist Alexandre Lagoya performed Spanish pieces; the Berlin Chamber Music Ensemble will do an evening of Mozart and annther of Haydn; pianist Vladimir Ashkenazy performed Beethoven and Chopin sonatas; violinist Yehudi Menuhin will do Brahms, Bartok and Beethoven; and the chorus of Milan's La Scala will sing Rossini. The jazz will include Dizzy Gillespie and Sarah Vaughn.

Less celebrated artists will also be featured, including some young, relatively unknown names such as French flutist Jean-Charles Candido and Korean violinist Dong Suk Kang. Cellist Mstislav Rostropovich and his

A mainstay of the festival is 30-year-old



Cyprien Katsaris, musical director since 1978.

French pianist Cyprien Katsaris, who has in recent years been acclaimed by the European press. Mr. Katsaris has been musical director since 1978 and has been credited with bringing in some of the names that have given the festival stature, such as Isaac Stern, Nathan Milstein, Pinchas Zucherman and Benny Goodman.

The town of Echternach is considered one of Luxembourg's major attractions, with the seventh-century abbey of St. Willibord, which produced some of Europe's most-prized illuminated manuscripts.

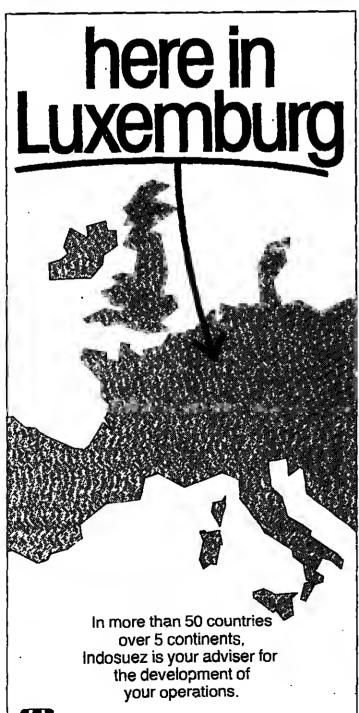
The concerts are given in three places. Seating capacity for 1,300 persons is arranged in the Basilica at Echternach. This building has underground postions going

building has underground portions going

back to the seventh century, and 12th-century frescoes are visible on some walls.

Chamber music is performed in the Church of Saint Peter and Paul with a 400to 500-seat capacity. This church, thought to be the oldest in the country, is a fascinating combination of Roman and Gothic styles with modern stained-glass windows. All of the jazz and some of the classical concerts are performed in the city of Luxembourg at the Theatre de la Ville.

Tickets cost between \$10 and \$20. With the reputation of the festival growing, the earlier boast that tickets were always available, even for top name performers, is no longer true. Artists such as Menuhin and Ashkenazy were sold out well in advance.



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Growth of Euromarkets Is Lifting BIL Out of Its Provincial Limitations

T HAS TAKEN a while for the Banque Internationale a Luxembourg (BIL) to live up to its Generale de Banque, predates even embourg [BIL] to live up to its name. The bank has just celebrated its 125th birthday, but it is only in the last 20 years or so that it has managed to be active internation-

The advent of the Euromarket has lifted the BIL and other domestic banks out of the provincial restriction that Luxembourg's size

In 1856, the BIL was launched with an initial capital that was 50 times greater than the country's business could possibly need. Permission to establish the bank was granted by a grand ducal decree. With the decree went the right to issue its own money, which the BIL still does, sharing the privilege with the Caisse d'Epargne de l'Etat du Grand-Duche de Luxembourg. also founded in 1856.

Tradition is a fine thing, but what has made both these banks stand out is their ability to match the opportunities offered by Luxembourg's new role as an interna-tional financial center. The Caisse d'Epargne holds fifth place in balance sheet size, and the BIL is seventh among the 112 banks in Luxembourg — a not insignificant achievement in view of the number of banks competing for the domes-

Economic Union

It is difficult to define what counts for a domestic bank. Only the B1L, the Caisse d'Epargne and the Banque Generale du Luxembourg have an extensive network of branches in the Grand Duchy. The economic union with Belgium does mean though that the Belgian banks regard Luxembourg almost as their bome territory.

The Banque Bruxelies Lambert. for instance, has a 40-percent share in BIL, although the BIL justifiably considers itself to be an independent Luxembourg bank. Two of the most powerful Belgian banks, Societe Generale de Banque and Kredietbank, founded major subsidiaries in Luxembourg, which are now fully independent and rebanks, too. The Kredietbank Lux-embourgeoise was founded in 1949 before the Euromarket sprang up,

Major city, inhabitants:

Population, net natural increase

Employers, self-employed persons

Gross domestic product (1979)

Gross domestic product

THE LAND

Woodland, 1979 (sq. km)820

Number of inhabitants per sq. km......141

per 1,000 inhabitants in 1979 0.0

Total employment (1979, thousands)......158.2 Agriculture 9.3

ond domestic help......22.6

PRODUCTION

per head, US\$ (1979)9,762

THE PEOPLE

the 1922 economic union with Belgium. They rank 12th and ninth. respectively, in total balance sheet

There are 12 Belgian or Luxem-bourgian banks, and the three largest have a total of 178 hranches between them serving a country with a population of 360,000, so it can obably be said that the Luxembourgers are not underbanked. But the stimulus that the Euromarket has given the domestic banks has encouraged them to expand ahroad. The BIL bas opened representative offices in New York and Singapore to attract some international husiness in Southeast Asia and North America. The Banque Generale has representative offices in Milan, Mexico City and Hong

With a few exceptions, the domestie banks are universal banks taking full part in the Euromarket business, and so are indistinguishable from the foreign banks. The Caisse d'Epargne, a sort of em-bryonie central bank [the central bank went bankrupt more than 100 years agol. is a tough competi-tor on the domestic front.

Because it can take advantage of a state guarantee for savings depo-sits, it can lend at a much cheaper rate than the BIL or the Banque Generale. While the commercial rate in Belgium has fluctuated around lo percent, the Caisse d'Epargne has been able to offer 8 percent or 9 percent. This state of events, together with the Caisse d'Epargne's other fiscal and legal advantages, led to such an outery that a few weeks ago the govern-ment finally decide, to put matters right, hy making the Caisse follow the commercial interest

The risk capital needs of the Luxembourgers are now also covered by the Societe Nationale de Credit et d'Investissement (SNC1). The SNCI was set up in 1977 to finance improvements in the structure of the Luxembourg economy. Capital is now readily available for modernization, diversification, ex-

LUXEMBOURG

Gross fixed investments:

at market prices (1978):

Public consumption (1979).

(general government 1979)

Composition of the Chambers

Gross domestic product by origin,



Albert Dondelinger

loan of 200 million Luxembourg francs from the European Commission. Its primary task is to stimulate small- and medium-size businesses in the hope that they This year and last, there were 1.211 billion Luxembourg francs allocated for tbat purpose. The halance sheet total has risen by 26 percent between 1979 and 1980. d'Epargne kept its end up by man-from 2.442 billion to 3.09 billion aging 10 syndicated loans. Luxembourg francs.

Savings Bank Funds

There has been a considerable drop in savings bank funds. Depo-sits at the BIL, Banque Generale and Caisse d'Epargne dropped 10 percent between 1979 and 1980 to 48 billion Luxembourg francs, and the domestic investors have shifted in a large way to one-month depo-

The big domestic borrowers apart from the state are ARBED. the giant steel company, and RTL. Radio-Television Luxembourg. The state budget deficit reached a record 1.4 billion Luxembourg francs in a country that is used to budget surpluses. The 1981 budget provided for spending about 52 billion Luxembourg francs, up 12 percent from the year before be-cause of the need for more indusport financing and new ventures. Last year, the investment bank trial investment, RTL is now de-ciding whether to invest in a direct benefited from a second global

Per head, US\$ (1979)2,592

Energy......24

Construction...... 9.8

Other......53.9

THE GOVERNMENT

percent of GDP15.6

Christian Social Porty......40.7

Others......3.4

Source: OECD (March, 1981)

Central government debt (Dec. 31, 1979)

satellite, which over 10 years could cost 10 billion Luxembourg francs.

The government is proposing to increase its revenues with a special increase in unemployment insurance contributions in order to pay for ARBED, which, although better off than some European steelmakers, is having problems. Steel exports have dropped 4 percent in volume and prices have remained low. ARBEO plans to invest 4 billion Luxembourg francs a year un-

Although 1981 will probably be as bad a year for the Luxembourg economy as 1980 was, the domes tic banks have been doing well. Like all the banks, they have been hit by the low spreads and the need to make provisions for the drop in the value of their long-

Loans by Luxembourg banks in-creased by 34.6 percent between 1979 and 1980, from 918 billion Luxembourg francs to 1.236 trillion. The domestic banks contributed to this increase. The BIL will replace the jobs lost by the res-tructuring of the steel industry. part in 154 others, and the Banque managed 10 Euroloans and took Continentale du Luxembourg in-creased its loan volume by 7.794 hillion Luxembourg francs to 29.917 billion. Even the Caisse

> Balance sheet growth has also been maintained. The Banque Generale du Luxembourg inreased its balance sheet total by 31 percent from 93 billion Luxembourg francs to 123 billion. Profits have risen from 224 million Luxembourg francs to 247 million.

Subsidiaries

The Banque Generale has set up subsidiary banks, Colhylux and Cregelux, which have made appreciable profits. Cofhylux, with a balance sheet of 1.297 billion Luxembourg francs, produced a profit

of 16.1 million.

The B1L's balance sheet total rose by 27 percent with an increase in deposits by non-bank clients from 58 billion Luxembourg francs to 79 billion. The BIL had less recourse to refinancing its with advances from other banks. Domestic and international lending increased more slowly than in previous years, growing only 16.1 percent, against the 28.2 percent of 1978-1979. Profits were 319 million Luxembourg francs, an increase of 10 percent.

The increase from depositors other than banks has been one of the chief surprises of the last year. Private customers placed 35 per-cent more than in 1979-1980. The new secrecy law governing banks has helped, but the French and the Belgians have always had a tradition of using Luxembourg as a tax haven. Nevertheless, Luxembourg has still to gain the reputation of Switzerland and its clientele.

The BIL's managing director.
Albert Dondelinger, said, "What is clear is that the boom years of the '70s, with their very high profits, will never come again. Margins the years to come, profitability is sure to be lower but still good. We have had to make reserves for normal banking risks and during the good years I think we have made

Significant Changes

The more cautious approach that the BIL is recommending comes after the bank has itself of significant changes among the domestic banks. It was given a ma-jor impetus in 1977 when it rged with the Luxembourg subsidiary of Banque Bruxelles Lambert. It has also become a major sharebolder in the Banque Continentale du Luxembourg (60 percent), the Banque Nationale de Paris (40 percent), the Caisse Hy-pothecaire (96 percent) and Preci-

lux 150 percent).
This success in gaining recogni

ment of a large part of the Euromarket in Luxembourg. The BIL now must consolidate these gains and try to achieve a significance outside Luxembourg.

This new assertive spirit was reflected when Luxembourg renegotiated the economic union with Belgium. The Luxembourgers gained the right to make the Luxembourg franc independent from threat of a devaluation of the Belgian franc has convinced the Luxembourgers that they ought to have the option of floating the Luxembourg franc by itself, or of linking it with another currency

such as the Deutsche mark. Another indication of the confidence that financial leaders are showing in their country's role in the banking world is the plans to establish the Institut Monetaire

Luxembourgeois. This is being pushed by the secretary of state for finance. Ernest Muhlen, for a number of reasons, It would tidy up the administration of finance by placing the Treasury, the Finance Ministry, the Banking Commission and certain parts of the state savings bank (Caisse d'Epargne de l'Etat) under one

Critics see dangers, however, Without a central bank, as it is

part as a full member in the International Monetary Fund or other forums where central bankers meet. Although it is useful to join in decisions made there, critics say Luxembourg may be trying to be more than an offshore banking center - an offshore center cannot function with a central bank seeking to control the lending and borrowing of commercial banks -JASPER BECKER

Financial Highlights

4. Place de Paris, P.O. Box 1672 1016 Luxembourg Telephone: (forex) 496031 Telex: (forex) 3 296 hela lu

Wholly-owned subsidiary of Hessische Landesbank -Girozentrale-Established June 3rd, 1980

as per December 31st, 1980

(Financial year June-Oecember)

in DM	million
Due from Banks	686
Loans	1037
Deposits	1679
Capital and Reserves	50
Total Assets	1752
Capital Funds	

as per April 81

Management Rainer Kühn Frederick R. Hopson,

Treasurer Jürgen Völzer

Dealing Matthias Voigt Christopher Wood

Helaba Luxembourg Hessische Landesbank International S.A.

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DEVELOPMENT OF OUR BUSINESS ACTIVITIES IN 1980.

The steady growth of our Euromarket transactions manifests itself in the increased balance sheet total which was raised to DM 4.015 millions in 1980.

In order to be able to enhance our operations we increased our capital stock by DM 18,5 to 68,0 millions at the end of 1980. This brought our total capital funds to DM 174 millions.

On january 1st, 1981 NORD/LB Norddeutsche Landesbank Luxembourg S.A. - a 100-percent subsidiary of NORD/LB Hannover/Braunschweig, adjusted its name to that of its parent company.

1980		1979
4.015 Mio. DM	Balance sheet total	3.524 Mio. DM
1.757 Mio. DM	Volume of credit	1.137 Mio. DM
1.957 Mio. DM	Due from banks	2.067 Mio. DM
146 Mio. DM	Securities	214 Mio. DM
3.704 Mio. DM	Deposits	3.264 Mio. DM
174 Mio. DM	Capital funds	127 Mio. DM

NORD/LB Norddeutsche Landesbank Luxembourg S.A. 29, Avenue Monterey B. P. no 121 L-2163 Luxembourg

472591-1 General Service 470801-07 Arbitrage 29241-44 Securities KALLE 6000

Telephone

2866 NORD/LB General Service 2263 NORD/LB Dealing 2889 NORD/LB Credit Dept. 47259157 Telekopierer Commercial register Luxembourg Nº B 10405

Telex

LUXEMBOURG S.A.

Banks Operating in Luxembourg

PUBLIC SECTOR BANKS Caisse d'Epargne de l'Etat du Grande-Duche de Luxembourg Banque de l'Etat, 1 place de Metz. Societe Nationale de Credit et d'Investissement, 3 rue de la Congrega-

COMPANIES INCORPORATED IN LUXEMBOURG Aktivbank International S.A., 88

Grand-rue. Radische Kor International S.A., 9 boulevard Roo-

Banco di Roma International S.A., 25 boulevard Royal Banco di Santo Spirito (Luxem-bourg) S.A., 33 boulevard Prince Hen-

 Bank Handlowy International S.A. Luxembourg, 22-24 boulevard Royal.

Bank MM. Warburg-Brinckmann, Wirtz International (Branckwalux)

S.A., 17 Cote d'Eich. Bank of America International S.A., 35 boulevard Royal.

 Bank of Boston S.A., 41 boulevard Royal.

Bank of Credit and Commerce International S.A., 39 boulevard Royal. Bank Oppenheim Pierson Interna-tional S.A., 19 Cote d'Eich.

bourg S.A., 5 boulevard Royal. Banque de l'Indochine et de Suez
S.A. Luxembourg, 10 rue Aldringen.
 Banque de l'Union des Cooperateurs Luxembourgeois S.A., 4 rue de

Banque de l'Union Europeenne (Luxembourg) S.A., 25 boulevard

 Banque de Luxembourg S.A., 80 place de la Gare.

Banque de Paris et des Pays-Bas pour le Grande-Duche de Luxens-bourg S.A., 10a boulevard Royal.

anque Generale du Luxembourg S.A., 27 avenue Monterey. Banque Interatiantique S.A., 8 rue

bourg S.A., 2 boulevard Royal. Banque Nationale de Paris (Luxen-bourg) S.A., 22-24 boulevard Royal.

 Banque Nordeurope S.A., 47 boulevard Royal. Banque Populaire Suisse S.A. Luxembourg, 39 rue Notre-Dan Baverische Landesbank Interna tional S.A., 25 boulevard Royal. tional S.A., 17 rue des Bains,

· Berliner Bank International S.A. · BfG: Luxembourg societe ano-

Bergen Bank International S.A., 88

. BHF-Bank International, 88 Grand-rue. Caisse Hypothecaire du Luxembourg S.A., 69 boulevard de la

 Canadian American Bank S.A., 33 boulevard Prince Henri. Chase Manhattan Bank Luxembourg S.A., 47 boulevard Royal.
Christiania Bank Luxembourg S.A.,

88 Grand-rue. · Citibank (Luxembourg) S.A., 16 avenne Marie-Therese. Cothylux — Compagnie Fonciere
et Hypothecaire du Luxembourg S.A.,

14 rue Aldringen. Commerzbank International S.A. tt rue Notre-Dame. • Compagnie Internationale pour le

Financement de l'Energie Nucleaire, 22 boulevard Royal. Compagnie Luxemhourgeoise de la Dresdner Bank AG — Dresdner Bank International S.A., 26 rue du Marche-

anx-Herbes. Copenhagen Handelsbank Interna-tional S.A., 37 rue Notre-Dame. • Credit Europeen S.A., 52 route

• Credit Suisse (Luxembourg) S.A., 23 avenue Monterey. Crexelux — Credit General du Luxembourg S.A., 27 avenue Monterey.

• Den Danske Bank International

 Den norske Credithank (Luxenbourg) S.A., 35 boulevard Prince Hen- Deutsch-Skandinavische Bank (Luxembourg) S.A., 15 rue Notre

S.A., 18 avenue Marie-Therese.

Deutsche Bank Compagnie Finan-ciere Luxembourg, 25 boulevard Roy-

al S.A., 16 bonievard Royal.

• DG Bank International, 25 boulevard Royal. Discount Bank S.A. 52 avenue de

• East West United Bank, 10 boulevard Joseph II.

Gotabanken (Luxembourg) S.A., 31

Hanse Bank S.A., 25 boulevard Roval. Hauck Banquiers Luxembourg S.A., 6 boulevard Joseph II.

• HELABA Luxemb sische Landesbank International S.A., 4 place de Paris. Hypobank International S.A., 37 boulevard Prince Henri. Industriebank International S.A. 22-24 boulevard Royal

International Resources and Finance Bank S.A., 31 Grand-rue,
 International Trade and Invest-

ment Bank S.A., 22-24 boulevard · Kansallis International Bank S.A. 25 boulevard Royal.

· Kredietbank S.A. Luxembourgeoise, 43 boulevard Royal. Lampebank International S.A., 25 boulevard Royal. Landeshank Rheinland-Pfalz und Saar International S.A., 6 rue de l'An-

cien Athence. Landesbank Stuttgart International S.A. I Place d'Armes. · Lavoro Bank International S.A., 25

boulevard Royal. Luxembourg Italian Bank S.A., 63 avenue de la Liberte. · Manufacturers Hanover Bank Lux-

mbourg S.A., 39 boulevard Prince Nord/LB Norddentsche Landesbank Luxembourg S.A., 29 avenue

• PK Banken International (Luxem-

bourg) S.A., 47 boulevard Royal. · Privatbanken International (Denmark) S.A., 16 boulevard Royal. Provinsbanken International (Lux-embourg) S.A., 25 boulevard Royal Schroeder, Muenchmeyer, Hengst International S.A., 25 boulevard Roy-

Skandinaviska Enskilda Banken (Luxembourg) S.A., 16 boulevard Societe Bancaire et Financiere S.A.

 Societe de Banque Suisse (Luxembourg) S.A., 43 boulevard Prince Hen-Societe des Banques S.G. Warburg

et Leu, 22 rue J.P. Brasseur.

Societe Europeenne de Banque
S.A., 25 boulevard Royal. Societe Luxembourgeoise de Banque S.A., 15 avenue Emile Reuter. nska Handelsbanken S.A., 37 The Bank of Tokyo (Luxembourg)

S.A., 22-34 boolevard Royal. The Industrial Bank of Japan (Lux-embourg) S.A., 5 bonlevard Royal.
The Nikko (Luxembourg) S.A., 88 Grand-rue.

The Taiyo Kobe Bank (Luxem-

bourg) S.A., 33 boulevard Prince Hen-Trade Development Bank (Luxembourg) S.A., 34 avenue de la Porse-

 Trinkses & Burkhardt (Internationrais. • UBAE Arab German Bank, 22-24

boulevard Royal.

Union Bank of Finland International S.A., 25 bonleverd Royal. Union de Banques Susses (Luxem-bourg) S.A., 36-38 Grand-rue. · United Overseas Bank (Luxembourg) S.A., 8 boulevard Royal. · Vereins and Westbank Internationale S.A., 25 boulevard Royal.

· West LB International S.A., 32-34 boulevard Grande-Duchesse Char-· Westfalenbank International S.A.

COOPERATIVES AND AGRICUL-TURAL ASSOCIATIONS • Caisse Centrale des Associations Agricoles Luxembourgeoise, 28 ocule-

· Fortuna, societe cooperative de credit et d'epargne, 128-132 boulevard

FOREIGN BRANCHES

· Banco di Roma per la Svizzera (of Lugano, Switzerland), 41 boulevard

16 boulevard Royal.

Bank of China (of Peking). 9-11 Grand-rue.

boulevard Emmanuel Servais.

Bausparkesse Gemeinschaft der Freunde Wuestenrot gemeinnustzige GmbH (of Ludwigsburg, West Ger-

many, 25 boulevard Royal.

Beamtenheimstaertenwerk Gemein-

Credit Industriel d'Alsace et de Lorraine S.A., (of Strasbourg), 103 · Credit Lyomasis (of Lyons), 36a

Geneva), 52, avenue de la Liberte.

• Enropean American Banking Corp. (of New York), 31-35 boulevard

Philadelphia National Bank, 14 rue

Banque S.A. (of Strasbourg), 15 avenue Emile Renter.

The First National Bank of Boston,

41 boulevard Royal.

By Craig Anderson THE CURRENCY

31 bouleyard Prince Henri.

 American Fletcher National Bank (of Indianapolis), 40 boulevard Joseph

· Bank Haposlim B.M. (of Tel Aviv),

 Banque du Gothard S.A. (of Lugaao, Switzerland). 41 boulevard Royal.
 Bank Hapoaline (Suisse) S.A. (of
Zurich), 16 boulevard Royal. Banque Privee S.A., (of Geneva), 20

nuetzige Bausparkasse fuer den oef-fentlichen Dienst Gesellschaft mit besehraenkter Haftung (of Berlin/Hameln, West Germany), 4

boulevard Reyal.

Discount Bank (Overseas) Ltd., (of

Aviv), 52 avenne de la Liberte.

Northwestern National Bank of Minneapolia, 33 boulevard Prince

der Bains. • Societe Generale Alsacienne de

> During the last year or so, there has been a dramatic slowdown in

the Grand Duchy is also important

in retail banking. Belgian customers have found Luxembourg a re-

fuge from the tax inspector be-cause of its rules on banking secre-

—Banking and Finance in LUXEMBOURG-

Grand Duchy Resists Increasing Pressure

Monetary unit:

BANKS FROM EUROPE and further afield have chosen Luxembourg as an offshore banking center and, during the last decade, the nation has become an important center for the Eurocurrency market. But moves are under way at national levels and at the European Commission in Brussels that could greatly hurt Luxem-

bourg in international banking.

The main characteristic of the 20 or so other offshore banking centers around the world is the absence of corporate tax on bank profits. Not so with Luxembourg. With a corporate tax rate standing at a relatively high 48 percent, total taxes on a bank's earnings in the Grand Duchy can amount to well above 50 percent. Nevertheless, in the last 10 years, banks from West Germany, Switzerland, Scandinavia and the United States have come to Luxembourg to take advantage of some particular fea-ture of the country's banking legis-

Grand Duchy. EEC banking rules have not had lation. Restrictive banking rules at home also have persuaded banks any major effect until now on banking in Luxembourg because from Switzerland and the Nordic countries to set up shop in Luxem-bourg. The Swiss authorities clamped down on international they have concentrated on making it easier for banks to set up and carry out business in other EEC countries. But the long-term aim of the European Commission in Bruscapital transactions several years ago, forcing many Swiss banks to look for new ways to channel their sels is to harmonize banking regulations throughout the EEC, and a funds outside the country. By far the major part of Swiss business now carried out in Luxembourg is central part of this strategy is to increase the transparency of bank the directing of fiduciary funds A proposal for aligning the an-nual accounts of banks was made toward local money markets. The Scandinavians, too, faced with restrictions on international financing for domestic clients, decided

earlier this year by the European that Luxembourg offered the advantages they were seeking.

Although noted mainly for business on the international markets.

vision on foreign banks in the

Luxembourg franc Currency units per U.S. dollar, average of daily figures: 1980 29.253 Commission, and this should be

the number of banks seeking aufollowed - although probably not thorization from the Banking for a couple of years - by a more Commission to set up offices. One important draft directive aimed at reason for this is the change in the forcing EEC-based banks to conclimate for international banking. solidate their accounts. Such a Many banks have seen profits measure would throw open the plummeting in the last two years because of fluctuations in exbooks of most of the foreign banks with operations in the Grand Duchange rates and a narrowing of chy, and the Luxembourg delegalending margins in international tion at the EEC would be unlikely transactions. Furthermore, there to support such a move. Reports of does not seem to be much chance progress on a similar proposal for that the problems will disappear, ordinary companies have been acas both the European Economic companied by allegations of footdragging by officials from the Grand Duchy. Community and various national governments are now working on measures that would tighten super-

Moves being considered in a number of European countries might not be so slow to take effect. The West German Bundesbank has been pressing during the last few years for increased regulation of the Euromarket, particularly in

Luxembourg.

The popularity of the Deutsche mark in Eurocurrency transactions and the unprecedented upsurge in business on the Euromarkets can cause problems for the West German central bank in its efforts to control the money supply, regulate interest rates and control inflation. Therefore, the Bundesbank is examining the possibility of altering

West German credit laws in a way that would force banks to consolidate their accounts. Subsidiaries would then be subject to the same credit ratios as the parent company, which would require West German banks to make considerable cash injections into their Luxembourg subsidiaries.

Similar moves are being considered by Switzerland and, with Swiss capital ratios far less generous than those in Luxembourg, many Swiss banks in the Grand Duchy could be forced to reduce substantially their operations on the money markets.

Concerned by these trends, Luxembourg is trying to increase the range of financial activities it can offer. A key move was the abolition in 1979 of the value-added tax on gold transactions. Several months later, when frenzied activity in gold dealing caused Switzer-land and West Germany to raise their taxes on the metal, Luxem-bourg's position in the gold market was considerably strengthened. The country has had its own gold fixing since March, 1981, and, although it is far from being a major trading center, business is increas-

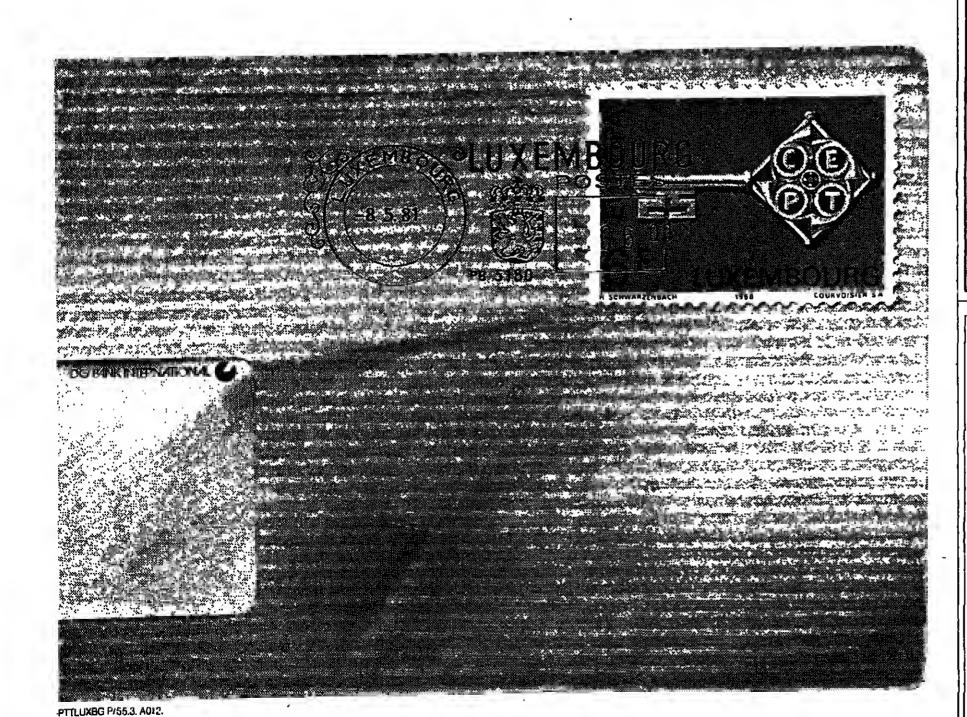
The boom for Luxembourg banking is certainly over, as most of the banks likely to consider moving in have already done so. Regulations imposed outside the Grand Duchy may even force some banks to leave. Nevertheless, Luxembourg is determined to hold on to the benefits brought by the influx of foreign banks.

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ASSETS IN EUROCURRENCY FOR THE BANKS IN BRITAIN, LUXEMBOURG AND SWITZERLAND 691.3* 305.3 384.8" USD 258,1* **Billions** 250 200 150 Total amount for the European reporting United Kingdom countries: Federal Republic of Germany, Bel-gium, France, Italy, Luxembourg, Nether-lands, United Kingdom, Sweden, Switzerland and since December 1977 Austria, Denmark Luxembourg 2 Switzerland

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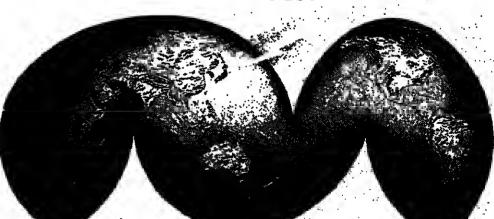
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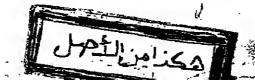


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INTERNATIONAL

BUSINESS NEWS BRIEFS Ottawa Plan

AMC Says New Jeeps to Appear on Schedule United Press Internation DETROIT - American Motors Corp. insists its plan to introduce a

lightweight, fuel-efficient line of Jeep vehicles in the 1983 model year is on schedule. AMC on Monday described as "untrue and misleading" a report in a metal trade publication that the program has fallen at least six months

behind schedule. The Metalworking News edition of American Metal Market said the delay was caused by cash shortages. The AMC statement said. "There is no problem restricting introduction of the vehicles on schedule." AMC, which is 46-percent-owned by France's Renault, also plans to introduce a small, front-wheel passenger car along with the new Jeep vehicles.

Telefunken Expects to Trim Losses in 1981

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Reuters

WEST BERLIN — AEG Telefunken expects its losses in 1981 to be narrower than the 1980 deficit of 278 million Deutsche marks posted by the domestic group. Managing Board Chairman Heinz Duerr said Tues-

He told the annual meeting that the group is not yet "out of the woods." Turnover and order levels are expected to rise this year, although at a slower rate than in 1980, with the majority of the increases

Japanese Vehicle Production Fell in May

TOKYO — Japanese vehicle production fell 1.3 percent to 894,554 units in May from a year earlier and was down 9.8 percent from April levels, the Japan Automobile Manufacturers Association said Tuesday. Exports in May are thought to have risen about 5 percent from the year-earlier 498,000, reflecting strong sales to developing countries, the association said. Export figures will be announced later this week, it

Domestie vehicle sales declined sharply in the month due to an increase in taxes last month, the association said. It bad reported earlier that domestic sales in May fell 15.9 percent to 272,456 from a year earlier and were down a sharp 24.9 percent from the previous month.

Gulf Canada to Build Beaufort Drilling Sites

New York Times Service
CALGARY, Alberta, — Gulf Canada Ltd. said Monday that it would spend 674 million Canadian dollars (\$559.3 million) to build and operate a year-round drilling system for the frigid Beaufort Sea, estimated to hold reserves of some 6 billion barrels of oil.

Gulf Canada, a 60-percent-owned subsidiary of the Gulf Oil Corp., said that it would build two offshore drilling platforms, two icebreakers and two supply vessels to begin a drilling program on 1.5 million acres of the sea in the summer of 1983.

Gulf Canada said that it was soliciting bids for construction of the units and would partially finance the program by a \$200 million deben-

Cycles Peugeot, Honda Deal Expected The Associated Press

PARIS - Cycles Peugeot is expected to announce Wednesday an accord with Honda of Japan to produce motorcycle engines in France under license, industry sources said Tuesday.

A Peugeot spokesman said Cycles Peugeot will announce an outline agreement with "a foreign manufacturer" but declined to give details. The sources said the agreement would involve the construction by Peugeot of motorcycles with engines larger than 125 cubic centimeters.

Eurobond Prices Ease, **New Issues Announced**

LONDON - Prices on straight dollar Eurobonds eased slightly Tuesday as the volume of new business picked up. Dealers noted that operators were still cautions over the short-term trend of U.S. interest rates despite being encouraged by the Federal Reserve's decision to add funds to the system Monday night.

In addition to the new deals an-Tuesday after managers increased the size of the offerings.

Lead managers bad noted strong demand for both issues and dealers added that most of the recent crop of new issues had been received well by retail clients in the secondary market.

The World Bank bond was increased to \$500 million from the initially indicated \$400 million, nager Deutsche Bank said. It was sold at a price of 981/2 bearing a coupon of 14% percent to yield 14.82 percent but traded at

Pacific Lighting Gas Supply's eight-year Eurobond was increased to \$65 million from the initially indicated \$50 million, lead manager Morgan Stanley said, and was sold

at par bearing a coupon of 15% In the new-issue market, Ford Credit Overseas Finance NV is floating a \$150-million, four-year note issue at par bearing an annual coupon of 16 percent, lead mana-ger Goldman Sachs said Tuesday. Guaranteed by Ford Motor Credit

Co., the notes are first callable at par on July 1, 1984. Natomas Overseas Finance NV. a unit of the U.S. oil company, is raising \$50 million through a fiveyear offering managed by Swiss Bank Corp. The indicated terms

are a coupon of 15% percent and Trizec Corp., a North American property firm, is raising \$40 million through a five-year bullet is-

sue managed by Merrill Lynch bearing a coupon of 16 percent. The issue price will be set June 30. In the Deutsche-mark sector, Renault Acceptance BV is seeking 150 million DM through a private placement of five-year bonds managed by Deutsche Bank bearing a coupon of 10% percent and priced at 99% to yield 10.82 percent.

The dollar, which had eased on European foreign exchange markets in the wake of the easing in short-term interest rates, recovered in later trading in New York. The dollar was sold down as the federal funds rate dropped during the morning, but positions were reversed following Federal Reserve action to drain reserves from the banking system, which put upward pressure on overnight money.
The dollar was quoted at 2.3565

DM at midday in New York against early lows around 2.3500
DM and against Mooday's closing
of 2.3525 DM.
Elsewhere, the coupon on the 15-billion Euroyen issue for New Zealand has been set at 8% per-

cent. The 61/2-year Eurobond is

being offered at par.

Bonn's Program For Investment Is Under Way

FRANKFURT - The first credits under West Germany's 6.3 billion-Deutsche-mark investment program have been awarded, a spokesman for KFW, the reconstruction loan corporation, said

KFW has raised 1.2 billion DM in lendable funds so far, all from overseas investors, and has given approval to about 1 billion DM of loan applications, he said.

About 2,000 West German companies have applied for the credits totaling more than 2 billion DM, be added. The program is designed to promote investments in energy ring, new industrial equipment

and advanced technology.

The spokesman said the Saudi Arabian Monetary Agency has agreed to provide 400 million DM in funding for KFW, making it the largest investor in the new program. Other major investors have included Swiss and Luxembourg banks, be said.

The loan program, which carries an interest-rate subsidy from the Bonn government, was originally envisaged as a joint French-German project. But the government of Valery Giscard d'Estaing pulled out of the project after his defeat in the Freneb presidential election.

CURRENCY RATES

Interbank exchange rates for June 23, 1981, excluding bank service charges.

	\$	•	D,M.	F.F.	17,5	Oldr.	a.F.	S.F.	D.K.
Amsterder	u 2.62	5.244	111.24 *	46.31 *	0.2345	_	6.797	128.57 *	35.39 •
Brussels to	38.54	77.1775	16,376	4.8153	3,2895	14,7225	_	18.3045	5,2225
Frankfurt	2,3515	4.704		41.72	2.009 x			l 15.95°	31.87 °
London (b)		_	4.7158	1,3463	2,350.85	5.225	77.17	4,97	14,7798
Allian	7.174.55	2,349,40	478.42	207.45	_	445,DB	30.4%	574.85	758.40
New York		1.9955	0.4233	0.1742	0.085 *	0.3617	0.074	0,4903	0.1354
Paris	5.666	11.325	Z37.98 °		4.517 x	215.65 *	14,661 *	277.36°	76,45 *
Zwrich	2,0407	4.0676	86,8051 *	36,1746	0.174	78.0234 =	5.2761 -	_	27,627 =
ECU	1.5726	0.5762	2.5302	6.0682	1,260.79	2.8139	41,4018	21275	7.9468
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277 7773 918 653	Finnish mork Greek drackma Hong Kong S	7.3025 4.3995 57.70 5.80 0.6439	0.1256 0.6157 0.2932 0.8608	Phil. Pose	7.9575 62.516 3.4105 1.1617	9,6276 0,6476 0,2722	Tolwers Thei bald U.A.E. dirbom	36, 20,5 3,67

On Energy Is Expanded

Second Bill Outlined In Self-Sufficiency Bid

By Henry Giniger

New York Times Service OTTAWA - The Canadian government has taken another major step to carry out its controversial national energy program by intro-ducing what it calls an Energy Security Act into the House of Com-

In an apparent effort to show that the government is flexible, the legislation was presented Monday in draft form for discussion during the summer. After hearing comments from interested parties, the act will be put into final form for action in the fall.

The Energy Security Act is the second and last major bill designed to put into effect the government's energy program, which was an-nounced last October. The first bill, dealing with exploration and development, was introduced earlier this year. The legislation intro-duced Monday deals with other major details of the program.

The energy program seeks to make Canada self-sufficient in energy by 1990, to increase the federal share of oil and gas revenue and more than 50 percent.

Marc Lalonde, the minister of energy, indicated his determina-tion to move ahead with what is known as "Canadianization" of the industry by rejecting criticism made last week before a House subcommittee in Washington by U.S. businessmen who complained of discrimination.

Mr. Lalonde said that "we are not breaking any international agreements." The minister added, however, that "it is true that the allowances" for oil and gas exploration "are higher for Canadian companies than for foreign ones."

70% Foreign Owned

The minister said that "the United States would not tolerate the situation that we have known in Canada for 40 years," adding, "It would not accept 70 percent ownership of the oil and gas industry by foreign interests."

Parliament is now considering the first bill, covering development of oil and gas on federal lands, including offshore areas, the Northwest Territories and the Yukon.

The Canadian Association of Oil Well Drilling Contractors has called the first part of the program "a disaster" because no agreement has been reached with the province of Alberta, where 85 percent of Canada's oil and gas is produced, on revenue sharing from energy production. Newfoundland, where most of the offshore drilling sites are located, is also in disgreement with Ottawa on ownership and control of the wells.

The legislation introduced Monday provides for a new system of incentives to replace depletion al-lowances and is aimed, according to the Ministry of Energy, "a stimulating massive new invest-ments, particularly by Canadians." A special incentives board is being organized and will be authorized to pay up to 80 percent of exploration expenses depending on the degree of Canadian ownership.

A Petroleum Monitoring Agency, which is already in existence, will have the power to certify the rate of Canadian ownership and control for companies that apply for incentives. It will require, for example, that there be 50 percent Canadian ownership for any company that seeks a production li-cense on federal lands.

The agency will also be empowered to obtain, on "a regular basis," information on the sources and uses of funds by any company that has more than 10 million Canadian dollars (\$8.3 million) in oil and gas revenue or 5 million Canadian dollars in assets.

Credit Being Planned For Egypt's Defense

ZURICH - Foreign banks in Switzerland are putting together a loan of 600 million Swiss francs (\$291.5 million) for Egypt to buy an air defense system, banking sources here said Tuesday.

The system, which would be installed on Egypt's border with Libya, is to be supplied by Contraves Italiana, an Italian subsidiary of the Swiss arms and civil engineering company, Oerlikon-Bührle. The credit, larger than those usually seen on the Swiss capital market, has not yet been negotiated in all its details, because the contract for the equipment purchase is not final, the sources said.

Foreign Exchange Problems? Having loreign exchange

problems that cannot be handled through normal banking channels? Contact Deak-Perera, Box D1776 Herald Tribune.

92521 Neuilly Cedex, France. Deak Perërii

French Executives Shrug Off Socialist Win By Paul Lewis New York Times Service

PARIS - The French business community welcomed Sunday's sweeping Socialist victory in the parliamentary elections with a Gallic shrug of resignation.

"We knew what was coming and it has come." said a spokesman at St. Gobain-Pont-a-Mousson, the diversified French engineering and electronics group that figures prominently on the Socialist Party's list of nationalization targets.

Indeed. France's industrial leaders have said little about the Socialist economic program. If it had not been for anxious questions at shareholder meetings in May and June, most of the leaders would have made no public comment.

Privately. French businessmen offer three reasons for their low profile.

Limited Effort Seen

First, many believe that President Mitterrand wants to wrigele out of a lot of his economic promises, realizing their dangers, and they do not want to make the task more difficult by attacking him openly.

One widely discussed scenario foresees the Socialists nationalizing the troubled steel companies, some armament makers that depend on government contracts anyway, and perhaps a big private bank. But no more. At the same time, business expects the govern-ment to tone down plans for higher social

On NYSE

tors turned optimistic following a

drop in short-term interest rates. Trading was moderately active.

down a point at the outset follow-

ing Monday's 1.99-point loss, closed up 12.46 at 1,006.66.

Advances led declines, 898-507.

The NYSE volume was 51.84

Prices were mixed in moderate

among the 1,908 issues traded on

million shares, up sharply from the 41.97 million traded Monday.

trading of American Stock Ex-

Analysts said investors were en-couraged that federal funds rates

anks charge one another for over-

night loans were down significant-

Federal Reserve stepped in to pre-vent a further slide.

Fed funds fell sharply in early trading Tuesday to 16% percent

from 171/2 at the opening. Although

the decline was greater than antici-pated, dealers were surprised by

the Fed's move to drain reserves

with two-day reverse repurchase

agreements because it had added reserves both Monday and Friday. Money market analysts noted

that although the Fed's action to

drain reserves in the same state-

ment week in which it added was

not unprecedented, it was highly

The Fed's allowing the federal

funds rate to rise thwarted a move

by banks to lower their prime lend-

ing rate, which now stands at 20

percent. Analysts are hopeful the

Wali Street also was encouraged that Chase Manhattan, Marine

Midland, Bankers Trust and

Chemical Bank cut the rate they

charge brokers for loans a full

point. This rate bas been rising

and falling almost daily for more

Some institutions are adjusting

their portfolios for the third quarter, a trend making it difficult to

get a clear picture of the market's

In corporate news, the board of Canada Cement Lafarge Tuesday authorized an offer of \$45 a share

for General Portland. Under the

proposal, General Portland would

be merged with a Canada Cement

Lafarge subsidiary. Canada

Cement said the deal is valued at

On the NYSE floor, Digital

Equipment won support. A U.S. circuit court of appeals in Boston

overturned a ruling against Digital that had charged the company

with committing a technical fraud

in a patent application.
Schering-Plough was lower. The

company, in a revised forecast, said it expected to report lower

earnings for the current fiscal year.

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\$315 million.

prime will fall again.

unusual

from Monday, even though the

the New York exchange.

change issues.

The Dow average, which was

benefits, arguing they would make business uncompetitive by increasing industrial costs.

A second reason is that much of private

industry and banking is practically nationalized anyway. Big companies are usually run by former senior civil servants who bave "parachuted" into the private sector, but who keep close personal ties with the admin-JOHETHA

Major investment decisions, takeovers and restructuring plans are all quietly cleared with the government under a system that the French sociologist Christian Stoffaes describes as "informal mutual persuasion."

The third reason is that much of industry has traditionally liked protectionism, govern-ment direction and a weak franc. And that is what the Socialists seem to be offering. Most businessmen have contented them-

selves with raising technical objections to the Socialist proposals. For Roger Martin, hon-orary president of St. Gobain, the ownership of a company is a "minor" matter, provided it is allowed to obey the disciplines of the markeiplace.

Pierre Moussa, bead of the Banque de Paris et des Pays-Bas, feels that being nationalized will complicate relations with foreign private banks and give foreign banks in France, which the Left plans to spare, an unfair advantage. Many executives simply argue that nation-

alization is unnecessary, because they are al-ready doing the best they can. "How could

the state hope to do better?" asks Philippe Thomas head of Pechiney, the French aluminum giant targeted for nationalization.

Reflation Plan

So far, France's new leaders bave moved cautiously. Increases in public expenditure are being more or less covered by new taxa-tion, leaving France's budget deficit this year as one of the smallest in Western Europe. and the minimum wage was increased by less

In addition, the promised reduction in the workweek to 35 hours, and the addition of a fifth week of paid vacation are to be "negotiated" between unions and employers. The government still says, however, that it is committed to plans to reflate the economy next year by raising real disposable income by some 3 percent.

Such a plan to stimulate the economy, according to a study by Chase Econometrics, is likely to result in growth of 1 or 2 percent this year and more than 4 percent next year. raising inflation to more than 15 percent a year and increasing the trade deficit.

The study says that although 300,000 new jobs might be created, unemployment would only be beld at its present 1.7 million workers because of the growth of the labor force.

Eventually, inflation and the widening trade gap would bring about another reces-

sion, as happened in Sweden when it tried to spend its way out of the 1975 recession. Chase Econometrics says.

U.S. Prices Rose 0.7% During May

Increase Over Year Dips to Single Digits

From Agency Dispatches
WASHINGTON — The U.S. in flation rate climbed 0.7 percent in May, or an annual rate of 8.4 percent — completing the first three-month string of single-digit in-creases since the spring of 1978, the Labor Department said Tues-

day.
The latest Consumer Price Index figures show the inflation rate for the past 12 months stood at 9.8 percent. The last time the inflation rate was at that rate for a year was in February, 1979.

The May increase compares with 0.4 percent in April and 0.6 percent in March. The department also said real

spendable earnings — after taxes and after adjusting for inflation dropped 0.4 percent in May for an average married wage earner with three dependents.

Real spendable earnings were down 2 percent from May, 1980. The major influence forciog prices up in May was the increas-

ing cost of financing and purchasing a home, which accounted for four-fifths of the increase. "Double-digit inflation as a phonomenon is behind us," Murray

Weidenbaum, chairman of the Council of Economic Advisers, said Monday before the figures

The Reagan administration is predicting a 10.2 percent inflation rate for the year. Donald Ratajczak, director of

the Economic Forecasting Project at Georgia State University, is predicting consumer prices will rise 8.5 percent. The Consumer Price Index for

May was 269.0, which means it cost \$269.00 in 1981 dollars to buy the same amount of goods retail that \$100 purchased 14 years ago. Food prices went down 0.2 per-cent in May and grocery store prices fell even more, by 0.5 percent.

Denmark Reports Deficit

COPENHAGEN - Denmark's

Dow Climbs Seagram Sets Purchase of Conoco Stock stock closed up 31/8 at \$62 a share Over 1,000 STAMFORD, Conn. - Seagram billion. Conoco on Tuesday disclosed that Seagram had made that At the same time, Conoco said it

Co., the large Canadian distiller. intends to buy "a number of com-mon shares of Conoco Inc., possibly as much as 25 percent of the Stamford-based oil company From Agency Dispatches
NEW YORK — The Dow Jones Conoco said Tuesday. industrial average broke through the 1.000 level Tuesday as inves-

Conoco spokesman Vince Robertiello said the company received written notice Monday of the planned stock purchase from Joseph E, Seagram & Sons Inc., a New York-based subsidiary of

Seagram's notice said it "intends, depending on future devel-opments, to acquire a number of Conoco common shares, although it did not specify how many. A Seagram spokesman said his company already owns some Conoco stock, but he declined to say how many shares.

Federal law requires notification to the Federal Trade Commission and the Department of Justice of plans to buy within 30 days at least 10 percent of a company's com-

\$2 Billion Offer

Just last week Conoco disclosed that its directors had rejected a proposal by "a major foreign corporation" to buy about one quar-

Under the earlier oller, Seagram

had proposed to either purchase from Conoco directly 15.9 million shares at \$75 a share and buy an additional 9.6 million shares on the open market, or to purchase from Conoco directly 28.6 million shares at 570 a sbare. Conoco said it rejected the offer after "extensive consideration." Conoco's

Japan Panel Urges Spending Cutback

sion for administrative reform Tuesday proposed extensive Japanese public spending cuts to reduce the budget deficit and to

ficially presented to the Cabinet in mid-July, are designed to enable the government to reduce national bond flotation in fiscal 1982, which starts in April, by 2 trillion yen (\$9 billion) from about 12 tril-lion this year without increasing

TOKYO - An official commis-

streamline the government.
Commission Chairman Toshio
Doko said the proposals, to be of-

looking toward a merger with Conoco." Conoco has not identi-fied that company. Earlier this month, Dome Petro-

was engaged in preliminary discus-sions with "a major corporation

leum Ltd. of Calgary, Alberta, bought 22 million shares of Conoco stock at \$65 a share, then swapped that holding and added another \$245 million for Conoco's 53-percent stake in Hudson's Bay Oil & Gas Co. in a \$1.68 billion

In April, Seagram lost its battle to acquire St. Joe Minerals Corp., one of the leading producers of lead and zinc and a major miner of coal. Through its Joseph E. Seagram subsidiary, Seagram had offered \$2.1 billion for St. Joc. which rejected the offer in favor of a \$1.24 billion merger with Fluor

Scagram had set up last Decem-ber a \$3 billion line of credit with 31 banks to make a "maximum of three acquisitions." That announcement followed the company's sale of its U.S. oil and gas preperties to Sun Co. for \$500 mil-lion in cash and \$1.8 billion in

trade deficit widened in May to 1.38 billion kroner [\$185 million) from a deficit of 1.28 billion kroner in April, the Statistics Bu-reau said Tuesday. The deficit in the first five months was 5.32 billion kroner, down from 7.56 billion kroner in the year-ago period.

All these securities having been sold, this envouncement appears as a matter of record only.



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Limited

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Credit Agricol

Caisse des Dépôts et Cor

Salomon Brothers International Sanwa Bank (Underwriters)

Smith Barney, Harris Lipham & Co.

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NYSE Nationwide Trading Closing Prices June 23

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21% Worker 1.04
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15% Worker 1

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Unless otherwise noted, rates of dividends in the foregoins totale are annual disbursaments based on the last quarterty or

o—Also extra or extras. b—Annual rate of us stock dividend.
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Portugal Lowers Economic Sights

by Richard Wallis

LISBON - Six months after coming to power predicting an economic miracle, the Portuguese government has scaled down its economic targets for the year, putting the blame mostly on the world

A revised 1981 government plan unveiled this month anticipates a record balance of payments deficit this year and sharply lower growth. It is even gloomier than the government's most pessimistic expectations outlined in a preliminary forecast last March.

The government, faced with a barrage of questions about what has gone wrong, replies that a strong dollar is pushing up the cost of Portugal's food and oil imports and that the world recession means more and more countries are closing their doors to Portugal's traditional exports, such as textiles.

It also cites a severe drought earlier this year, which meant Portugal had to import \$400 million worth of extra energy to compensate for cuts in its hydroelectric power production. But the effect on agriculture has

sected. Although the harvest will be down on last year, it will be bet-ter than that of 1979, according to

latest official forecasts. Finance Minister Joso Morais Leitao told a ministerial confer- bank estimates.

By George Short

LONDON — The Bank of Eng-land Tuesday announced what it

called a further step in the evolu-

tion of tactics aimed at controlling

the growth of the money supply,

which the government sees as the

key to curbing inflation.

The central bank published a

draft plan for improving its tech-niques of controlling the money supply and set Aug. 20 as the pro-

not been as bad as originally ex-

ence of the Organization for Economic Cooperation and Develop- forecast gross domestic product ment in Paris earlier this month the strong dollar was making it ex-tremely difficult for his country to meet its balance of payments and

inflation targets. The latest forecast for the 1981 balance of payments is a record \$1.7 billion deficit wider than last year's \$1.3 billion deficit. The new 1981 payments deficit forecast is \$500 million above the original government target, whereas the 1980 figure was double that predicted by the previous govern-ment. In 1979, the payments defi-cit was a mere \$34 million.

Anibal Cavaco Silva, former finance minister and now head of the National Planning Council. an advisory body to the government. believes the steep rise in the delicit last year reflected a sharp increase in private and public investment that led to an 11-percent rise in im-

One target the government has not altered this year is its goal of keeping the rise in inflation to 16 percent, after the 16.6 percent rate last year and the 24.2-percent level

It is to meet this target in spite of falling exports that the domestic growth rate is being cut to 2.9 per-cent this year. In 1980, Portugal recorded a growth rate of 5.8 per-cent, the highest of any OECD country, according to latest central

quirement for banks to keep a cer-

tam ratio of reserves to assets,

which was aimed at making sure

that banks did not overextend

themselves. This will be replaced

by a more flexible system of con-

trol, including spot checks, the

Controlling the money supply is a central feature of the monetarist

anti-inflation policies being fol-lowed by Prime Minister Margaret

Mrs. Thatcher has come under

criticism from experts who have

said her government has not con-

trolled the money supply rigorous-

Thatcher's government.

bank said.

Last March the government would grow this year by a mini-mum of 3.5 percent and a maximum of 4.8 percent, depending on whether the international outlook was favorable or not for Portugal.

A major concern to the government is that any greater rise in inflation, and particularly production costs, would price Portuguese exports out of world markets. In that case the only way to compensate would be to devalue the escudo, Finance Ministry experts said.

Portuguese exports grew 9 percent last year but are now only expected to rise 4.8 percent in 1981. The government's original target. based on an optimistic scenario. was for 7-percent growth in both exports and imports this year.

To keep Portuguese goods com-petitive abroad the government is trying to secure a 16-percent ceiling on wage rises this year, but the finance minister has complained that wage settlements are averag-ing nearly 21 percent in spite of indirect controls by the govern-

But the government insists it is sticking to the goal of 5-percent annual growth it set in its 1981-84 economic plan, although it says it would be absurd to reflate the economy at an artificially high rate in a year when external factors are so heavily weighed against Portu-gal.

ly enough, despite public spending cuts and high interest rates. As-sessments at the end of last year

showed that money-supply growth had been more than 20 percent;

Financial experts see the new measures as part of a gradual

move towards abolishing the Bank

fo England's minimum lending

rate, which sets the base for all do-

lead to an era of more market-re-lated interest rates, but they noted

that the Bank of England has said

it wants to avoid the volatility of

sterest rates that has become the hallmark of open money-market operations in the United States.

The volatility of U.S. mterest

rates, resulting from moves by the Federal Reserve to tighten its

short-term control of the money

supply, has brought criticisms from Europeans, who complain that high rates keep their curren-cies under pressure.

Output Off 1.6%

France Reports

ent rise in March, the Nation

the year-ago month, compared

francs in the 1980 first quarter, the

Clese \$9.47.00 149.30 1

47.60 470.00 132.70 132.70 132.70 132.50 134.50 144.50 144.50 144.50 154.70 154

reported Tuesday.

6.6 percent in March.

Banking sources said it could

twice the targeted figure.

mestic rates.

To Maintain Oil Prices

No Policy Changes, African Nations Say

United Press Internation

ALGIERS — OPEC's African members said Tuesday they agreed at a special meeting to maintain their crude oil prices and rejected what they said were efforts by oil

companies to drag down prices. Energy ministers of Algeria, Libya and Nigeria and Gabon said in a communique that they "unani-mously decided to respect OPEC decisions and to preserve the unity of that organization" at a Monday meeting in Hassi Messaoud, an oil area in southern Algeria.

The meeting came amid reported efforts by Saudi Arabia to sell OPEC's cheapest crude at prices under the kingdom's official \$32-abarrel rate.

The African members of OPEC will take all necessary measures to support the present price structure and act in accordance with OPEC decisions taken at the last meeting in Geneva," the communique said.

Last month the Organization of Petroleum Exporting Countries agreed to freeze its base price at \$36 a barrel and to permit Algeria. Libya and Nigeria to maintain its prices at \$40-41 a barrel. Saudi Arabia, which produces 40 percent of OPEC's oil, vowed to keep its crude at \$32 a barrel.

International oil companies, which are engaged in pricing talks with OPEC's North African producers, have said they are seeking price cuts of \$5 to \$6 a barrel because North African oil is overpriced in the glutted world market

Soviet Price Cut

HELSINKI (Reuters) - The Soviet Union has cut the price of its crude oil exports to Finland by to 8 percent following talks in Moscow, a spokesman for Finland's state-owned oil-importing

company said.

He did not give any precise figures, but market sources said the new price would be roughly \$35.50 a barrel, down from about \$38.50 previously. Finland annually imports about 49 million barrels of Soviet crude under a long-term trade agreement.

COMPANY REPORTS

enue and profits, in millions, are in local

currencies unless otherwise indicated. PARIS — France's industrial production fell in April and its current-account deficit widened in United States General Tire & Rubber the first quarter, the government 22.67 production declined an adjusted 1.6 percent after a revised 4.1-per-1981 1st Half 4.37 1058 Statistics Institute said. April pro-1.02 duction was 8.1 percent lower than 673.6 52.30 1.25 with a revised year-on-year fall of 684.1 34.60 0.83 The current account showed an adjusted deficit of 10.1 billion francs (\$1.8 billion) in the first quarter. This compared with an upward revised deficit of 8.98 bil-1,280. 1,280. 101,60 72.90 1.75 2,42 lion francs in the 1980 final quar-ter and a deficit of 10.7 billion Food Fair

1761

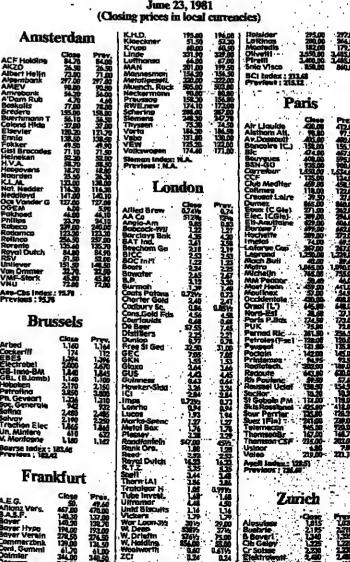
1980 852.6 4.64 9.62

Profits Per Shore Economics Ministry said. **Eurocurrency Interest Rates**

			June 23, 1981			v .	
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18 44 - 18 Vo	11 76 - 12 Ve	9 54 - 9 56	12 14 - 12 14	20 - 20 Va	1576 - 16	15 % 15 %	
16 W - 18 W	12 34 - 12 36	9 36 - 9 36	12 14 - 12 76	20 - 20 Va	15 - 15 34	15-1512	
18 16 - 15 14	12 Va - 12 Va	10-10 4		20 - 20 1/2	15 Va - 15 7h	15 Va - 15 %	
17 - 17 V2	12 % - 13 %		12 14 - 12 14	19 - 19 Vo	14 76 - 15 %	74 76 - 15 Vo	
16 % - 15 %	12 16 - 18 %	9.94	12 14 - 12 14	18 Vo - 19	14 7h - 15 7h		

European Stock Markets

June 23, 1981



Milan ·

visional date for bringing the system into force. The moves will abolish the re-

Toronto Stocks Closing Prices, June 22, 1981

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Character | ### Montreal Stocks Closing Prices, June 22, 1981

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Canadian Indexes June 23, 1961

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European Gold Markets

Gold Options (prices in S/or.)

22.00-25.00 15.00-16.00 10.00-12.00 6.00- 9.00 Valeurs White Weld S.A. . Quai du Mont-Blanc 211 Ceners L Switzerland el. 31.0251 - Telex 28.305





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Shares of Common Stock

(par value \$0.50 each)

Authorised 15.000.000

Issued and Reserved forlssue 6,648,222

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U.S. COMMODITY PRICES

	Chicago Futures	Deen Nigh Low Settle Chy.	Open Nigh Low Soffle Chy,	Dago Nigh Low Settls Cha
	June 23, 1981	509 BEAH DIL 50,005 lbs; dollers per 100 lbs Jul 1240 22.5 125 226 -09 Aup 27 1200 1280 2265 -09 5co 7740 2245 2375 2328 -12 Oct 2325 2390 235 2348 -12	NOG5 38,00 lbs.; cents our lb. Juli 54,20 54,75 51,55 54,52 Aup 54,00 55,26 44,00 55,05 +4,0 DC1 51,00 44,12 53,15 52,72 +4,72 Dec 54,25 54,70 55,55 54,70 +1,72	GHMA \$106,000 prin pts: 32nds orl 188 pct Jul Sep 64-14 64-23 63-26 63-29 — 17 Dec 65-7 65-9 64-14 64-16 — 17
	WNEAT 5.000 he minimum; dollars per bushri Jul 2033-194 187-1888412	Dec 34.52 34.55 24.51 24.3809	Feb 51.50 57.50 56.70 56.77 +.72 Apr 54.5 54.5 55.65 56.00 +1.00	Mor 65-11 65-21 64-28 64-29 — 20 Jun 65-25 65-26 65-4 65-4 21 Jep 65-20 65-30 65-8 65-8 22
•	5ep 4.12° 2.413 4.07 4.67° - 34° Dec 434 4.37° 4.32° 4.37° - 36° 1.00° Mor 4.57° 1.49 4.53° 4.53° - 36° 1.00° Moy 4.68° 2.48° 4.64° 4.64° - 34° 1.00°	Mar 25.35 25.25 25.2530 May 25.90 25.90 35.84 25.845.8 Jul 26.30 26.30 26.30 76.30 +1.00 Aug 26.20 26.30 26.30 26.30 +1.00 Prev. sales 16.500	Aug	Mor 66-5 66-5 65-13 65-17 72 Jun 66-5 66-7 65-15 65-15 72 See 66-14 66-14 66-70 65-70 72
	Prev. sales 15,756, Prev dov's open (#1 55,141, oH 1,800 CORM	Prev do 13 open in 157,956. SDT BE AN MEAL 100 hoss; delibris per fon Jul 202,70 203,20 200,60 201 40 1,20	Previdov's open int 27,444, off 486. PORK BELL1E5 36,606 lbs.; ::sats per ib.	Dec 66-7 66-7 65-17 65-21 22 Mar 66-8 66-0 65-18 65-22 22 Jun Prev. soles 10.553.
	S.800 bu minimum: dolidrs per Bushel Jul 1 100 h. 127: 1 247: 1 249: 1 249: 1 249: 2 249 Seo 3.00 157: 1 249: 1 249: 2 24	Jul 202.70 203.20 200.60 201.601.20 Aug 705.70 206.20 203.70 204.501.20 Seo 200.18 209.50 207.00 207.501.00 Dc1 211.50 312.00 207.50 218.001.00	Jul 5150 5240 5150 5150 —200 Aug 5102 5235 5102 5117 —185 568 770 7240 444 4890 + 70	Previder's poen ini 115,922, up 4,675. COMMERCIAL PAPER (21 million; compolized discountrave)
:	Mor 272 : 3.73% 3.70 1.70% -0.14 Mov 2.01 2.01% 3.78 2.76% -0.1% Jul 2.84 2.84% 3.02 2.02% -0.1% Prev.solo5.34.44	Jul 27.77 701.27 280.27 20.30 201.60 -1.20 Sec 201.20 27.70 20.27 20.30 201.60 -1.20 Sec 201.20 27.70 20.27 20.30 27.50 -1.20 Sec 201.20 27.50 27.50 -1.20 Dec 215.00 215.00 215.50 216.70 -4.60 Just 217.00 215.50 216.70 -4.60 Just 217.00 215.50 216.70 -4.60 Just 217.00 217.50 27.50 27.50 Adv. 223.00 272.50 230.00 272.50 20.00 272.50 27.50 Adv. 223.00 272.50 230.00 272.50 27.50 Adv. 223.00 272.50 230.00 272.50 275	AUG	LIST PEASURE ROWDS
	Prev day's oren int 139,778.		Prev. sales 5,014. Prev. day's open int 11,236, oit 341	18 pcr-5108,000 cers & 22nd 5 of 100 pct1 560 64-27 61-2 65-20 65-20 - 22 Dec 67-24 67-30 06-20 66-22 - 22 Mar 68-5 68-8 57-6 57-8 - 32 Jun 68-51 68-21 61-17 67-19 - 32
•	5,000 be minimum: dollors per bushel Jul 7,15 1,17-2 7,09-5 7,124 814 Aug 125': 127's 130 7,21's 67's Sep 7,33 7,36 1,30 7,17 00's	Previous's open ini 66,718, up 12,767.	FRESH BROILERS 30.880 lbs; cents per lb Juli 51.70 51.70 52.70 52.70	See 68-23 68-26 67-25 67-28 26
,	Sep 7.33 7.36 1.30 7.37001; Nov 1.511; 7.541; 7.45 7.461;001; Jon 1.11 7.75 7.641; 7.674;01; Ator 7.97 7.97 7.97 7.97;01; May 8.06 8.12 8.04 8.051; +004.	DA 15 5.000 bu minimum; dollars per bushet Jul 217% 214 200 200% —03 5op 201: 206 203 203: —0 Dec 2174; 216 213 274 +01 Mar 2212; 2237; 2237; 225% +00% Mar 225%; 2257; 225%; 225%; +00%	∫ Fe0 <u>\$2.30</u>	Jun 84-11 08-17 08-17 28 Sep 70-6 70-6 45-12 64-12 24 Dec 66-23 66-29 66-17 24
	Jul 8.71 8.26 8.16 8.18 702 2 Prev. saies 48.94, Prev Pav's open in 189 et 2, up 7.309,	Man 2.251; 2.251; 2.251; 2.251; +.001; Prev. sales 1.630. Prev. do. '5 open int 6.577.	Apr 53.70 —.20 Jul 55.90 Grav. sales 157. Prev PBy's open ini 1,075, up 11.	Mar 69-26 69-20 69-2 69-2 - 24 Jun 70-1 70-1 69-1 69-7 - 24 Prev. sales 46-344. Prev do v's coen int 261-143. up 7,512.
	Market Summary	CATTLE 40,000 lbs.; conts per 10, Aug 65.50 68.00 68.40 68.5112	LUMBE R 136,000 bd. ff.	
	NYSE Most Actives	Oct 45.95 66.35 45.70 45.95 + 201 Det 46.50 67.35 66.50 46.80 + 205 Feb 67.40 41.00 47.20 17.42 + 105 Aur 48.72 68.80 68.40 68.30 + 105 Jun 48.72 68.80 68.40 41.00 + 118	Jul 180,00 181,30 174,30 173,00 —2,40 Sep 154,00 187,00 173,00 173,00 173,00 —2,40 Nov 184,00 187,00 185,50 185,40 —2,00 187,00 185,50 185,40 —2,00 187,00 185,50 173,00 —2,00 185,50 173,00 17	New York Futures
	June 23. 1981 Sales Close Chs.	Prev day's open int 45.314, alt 987.		June 23, 1981 Open Nigh Liw Settle Chp.
	Abbit.bs 813,200 31 + la Easons 709,900 35 — AA 1BAA \$83,000 59 to +1 to	FEEDER CATTLE ct.000 lbs.: cents per lb. Aug 67.00 e8.52 e7.55 e7 99 — 10 Sep 67.25 e7.00 e7.25 e1.45 + .00	Prev. sales 2.314. Prev Pay's open int 8.844, up 95.	MAINE POTATOES SLASO IDS.; conts per Ib.
	Conocolne 477,380 62 +2"s Chrysler 459,000 7 Senv Corp 438,900 22 + 4	Oct 67.10 67.00 67.00 61.40 +.05 Nov 68.00 68.50 67.00 68.10 +.18 Jan 70.10 70.50 70.10 70.20 +.30	PLYWOOD 74.822 sq. N. Jul See 202.40 202.20 204.40 200.40 —2.40 Nov 204.40 207.00 204.20 204.50 —2.10 Jgn 285.00 205.00 207.20 201.50 —2.10	Feb 7.98 Mor 8.35 8.35 8.35 8.35
	To: U111 420,200 204; + % Cots Polem 417,800 18% + 1 Comw Edis 400,000 20 GenTel3.E1 794,800 20% + %	Mar 70.35 70.35 70.30 70.00 — 20 May 71.00 71.00 71.00 71.00 — 20 Prev sales 982. Prev do 45 open in 18.998. up 71,	Nov 255.40 297.00 204.20 294.50 —2.10 Jgn 265.00 205.00 202.70 203.00 —1.00 Prev sales 798. Prev day's open int 3.924, uo 21.	Prev. sales 271. Prev do y's open Int 3.881, up 59.
	Goodysor 392,100 20 + 30 CitiesSyce 370,700 44*2 +2*4 Telepspulls 361,400 35*4 +3*4 Telepsinis 354,860 20*2 + 34	International Monetary	UO T. B11, L5 21 million; pts of 190 pct.	37,500 lbs.; cests per lb. Jul 90,50 90,90 87,00 88,06 —1.07
	Today Prev. NYSE Nationa Close Clese	Market	Sen 51.35 87.40 86.94 87.09 —.12 Dec 87.93 07 92 87.52 87.57 —.12 Jan 87.7010	Sep V1.75 V2.50
	Volume (in millions) 51,84 47,69 Advanced 973 709 Volume Uo Imilions 3506 17,58	Open Night Law Sottle Chg. BRITISN POUHD 5 per pound; 1 point equals \$8,9061 5co 2000 2005 2010 2015080	Apr 88.30 88.30 88.0712 Sep 88.30 88.30 88.0712 Dec 88.22 88.23 88.21 88.0995	Prev. saies 1.625. Prev day's open int 8.930. up 45. SUGAR-WORLD 11
	Declined 391 820 Volume Down (millions) 11 14 19,00 Unchanged 360 404 Total (same) 1,974 1,933	BRITISN POUHD 5 per perudis \$4.001 5 per pound: 1 point serudis \$4.001 5 per pound: 1 per perudis \$4.001 5 per	Ator 88.15 88.12 88.89 88.0823 Jun 88.17 88.23 88.00 98.0518 Prev. sales 22.452. Prev day's open ini 35.615.off 385.	112,000 ibs.: cents per le.
ļ	New lows 57 A	CAHADIAN DOLLAR 5 der dir; 1 deim1 equels 50,9001 5 ee 8114 A228 A113 A220 +3		Jon 16.50 16.50 16.40 16.65 May 16.80 17.09 16.70 16.95 May 17.05 17.20 16.95 17.10 —01
	Dow Jones Averages	Dec 8300 8306 8793 8303 +8 Mor 8295 8295 8285 +2 Jun 8770 Prov. smes 1.122	Cash Prices June 23, 1981	Sep Oc: 17.35 17.40 17.20 17.4500 Est. soles \$380, Prev. soles 7.700.
	30 ing 993.72 1,009.52 990.01 1,006.66 +12.46 12.01 201 1,006.66 +12.46 12.01 12.01 1,006.66 +12.46 12.01 12.01 199.92 111.34 1094.44 111.01 +0.83 45.51k 384.61 390.26 383.81 309.12 +4.05	Prev doy's open int 6.077, up 302. FRENCN FRANC 5 per franc; 1 doint equals 50.00001	Commodity and unit Tue Year Ago FOODS Coffee 4 Santez lb	Previday's open im 64,519, off 83. COCOA 18 metric tons: 2 per idn Jul 1350 1385 1350 1375 +10
	Dow Jones Bond Averages	Sep .17415 .17535 .17412 .11415300 Dec .17300140 Atur .17460140 Prev. soles 6.	TEXTILES Printcioth 44-38 361/2, yd 0.811/2 0.691/2 AMETALS Glori billers (Citt.), fon 400.00 368.00	COCOA 18 metric tons: 2 per idn Jul 1359 1385 1359 1375 + 10 Sop 1GS 14A1 14G1 14447 Dec 1552 1274 1543 154617 Mar 1640 1648 1633 164411 May 1741 1774 1274 124535
	70 Bonds Close Chg. 70 Bonds 61.42 —0.15 18 Public Urilis 61.70 —0.37 18 Indus 61.06 +0.01	Previdov's open in 157, GERMAN MARK 2 per mark; 1 pelm equals \$0.0061	1798 2 Fdr v. Phila_ton	Sep 1800 1819 1791 1795 -25 Prev. soles 1.917.
	Standard & Poors	Jul 52317 Sep 427518 Dec 4335 4354 4318 422014 Mor 4345 4360 4350 434412 Jun 4345 4360 4350 434412	Zinc, E. St. L. Bosis, Ro	Previdor's open in1 12.810. off 193. DRANGE JUICE 15.000 lbs.; cents her lb.
	Nigh Low Close N.C. 123.96 121.16 123.35 +1.40	Prev. sales 3.608. Prev day's open int 9.382 off 56.	Gold N.Y. 07	Jul 133.00 135.50 133.00 134.60 +1.65 Sep 134.00 139.00 136.00 127.85 +1.85 Nov 134.50 141.25 138.50 140.25 +1.75
	Industrials	JAPANEDE YEN 2 per 9en; 1 point sa upis \$0,000001 Sep .004608 .004619 .004591 .00459215	Commodity Indexes	Mor 143.50 144.25 143.00 1A4.00 +1.00
ļ	NYSE Index	Sen (00488 004819 004591 00459215 Dec (00486 004702 004571 00457221 Mar (00475 00475 004775 0047421 Prev sales 3 108 Prev day's apen int 5852, pt 59.	June 23, 1981	Jul 146.00 147 00 148.00 146.50 +.70 Sep 147.00 +.70 Nov Prev. sales 631. Prev. day's open Int 11.279, pt 40,
١	Nigit Low Close N.C. Nigit Low Close N.C. Nigit Ni	SWISS FRANC S per franc; 1 point squals \$0.8801 Sep	Mondy's	COTTON 2 50,000 (bs.: cenis per lb. Jul 84.55 B5.00 82.37 82.95 —1.42
	Utilities 40.06 39.84 40.06 +0.79 Finance 80.89 80.07 80.89 +0.44	Dec 5089 5190 5000 5062 +14 Mar 5150 5150 5138 5132 +17 Jun 5180 Prev, soles 4.311	Apody's : base 100 : Dec. 31, 1931, p — prelim- inary; i — linal Reulers ; base 100 : Sep. 18, 1931,	Aug 52.40
	Odd-Lot Trading in N.Y. Buy Soles Short 152,557 200,841 2,547	Previdua's open ini 6.3% oil 280	Dow Jones : base 100 : Average 1924-25-26,	Oct 81.40 81.00 01.00 01.00
	June 18	Floating F	Rate Notes	Prev. sales 3,841, Prev day's open int 26,508, off 374,
	These totals are included in the sales liquies. American Most Actives	Closing prices.		COPPER 25406 lbs.; cents per lb. Jun 78.50 78.50 78.50 78.20 + 35- Jul 78.40 78.90 78.30 78.35 + 30:
	Sales Close Chg.	Banks Issuer-Min opn-Mat. Coudon Next Bid Askd Alricon Dvt. 84-7-83 177/16 7-30 0044 99%	Issuer-Min cpe-Mot. Coupon Next Bid Askd Kleinwort Ben 54-91 1911/16 11-13 981-2 99 Korso Cev.Bonk 70-81171/16 12-3 98 981-2	Jun 78.50 78.50 78.50 78.50 42.50 42.50 14.10 178.40 78.80 78.30 78.35 42.50 14.10 1
١	DomePiris 363,900 19% - % 118 Briknot 338,800 7 + % Aegis Corp 156,500 33% + % Chamo Ho 115,500 33%	Allohli Kiuwoli 517-83 16 15/16 8-26 9914 9934 Allied Irish 634-84 1514 9-30 9914 9934 Allied Irish 534-87 1635 7-2 9914 9934	LTCB 64s-81 174s 12-15 100 10015 LTCB 64s-82 10 1/16 7-23 9978 1004s LTCB 54s-85 19 7/16 12-11 10078 1014s LTCB 55s-85 19 7/16 12-11 10078 1014s LTCB 55s-86 174s 12-15 9978 1004s	Mor B8.15 88.80 87.90 87.90 + 26 Moy 90.40 90.40 90.00 89.00 + .15 Jul 92.25 92.25 93.10 91.00 + 1.05 Sep 94.20 94.20 93.90 93.90 + .05
	IntrCtyGs 0	Boordon Otens 1716 8-3 9839 99Vs	LTCB 5/4-86 17/4 12-15 9978 10038 LTCB 5/4-89 1011/16 6-9 9978 10038 LTCB 5/4-89 1011/16 11-20 10038 10038 10038	Jon 98.10 98.10 98.10 97.9005' Mar 99.9015'
	RonperOil 78,000 12 — 4 GuHCon a 74,901 224 Today Prev.	Boode id Nacion 7-83 17 5/16 7-23 99% 995% Boode in Nacion 3-86 14 9/16 9-24 97% 97% Boode in Nacion 11-87 16-76 18-23 97% 97% Boode in Nacion 11-87 16-76 18-23 97% 97% Book, Desarrollo 915-87 17/2 12-11 9-3% 97%	Midland Bank 745-83 12 11/16 8-24 10114 10214	Prev. Sales 6,126. Prev day's open int 50,376, up 230, NEATING OIL
ļ	AMEX Nationw Close Close	Bco do Brazil 44-82 18 9/16 8-17 100 1001/2 Bco do Mexico 64-87 1914 11-16 99/2 100 Bonco Serfin 7/4-86 14 11/16 10-5 98/4 97/4 Bco Pinto 64-85 19 8/16 11-10 99/4 1001/4	Midland Int 5-89 17 7/16 12-22 994-7 100 Midland Int 5-91 16 13/16 16-30 984 994 994 994 994 994 994 994	42,000 gal; Cents per gal Jul 90.85 91.00 90.55 90.75 +1.00 Aug 92.00 92.10 91.45 91.70 -22* Sep 972.55 94.70 94.20 94.56 -1.12* Oct 94.50 94.70 94.20 94.58 -1.12*
	Volume up millons\	BCC Costo Rico 6/4-25 1815 12-11 91 92 BBL, Inii 1815/16 11-29 99% 100% Bk Burniputco 6/4-84 16/8 10-23 99% 99%	Noti Westmin 5½-90 18½ 6-23 99½ 100 Noti Westmin 5½-92 16 13/16 10-23 98½ 98½ Noti Westmin 5¼-94 16 3/16 10-14 98 98½	Sep 9723 9736 9136 9277 —33 OCI 9136 9277 —33 OCI 9136 9270 9276 9276 9276 9276 9276 9276 9276 9276
	Unchanged 192 196 Total Issues 800 7931 New highs 26 22 New laws 6 8	Bit Ireland 5'4-87 1998 8-26 9947 100 Bit Moontreed 5'4-90 16-3 12-18 9948 9949 Bit Tok vo 6'4-84 19-16 10-24	Nippon Credit 64-85 17-46 12-24 99-4 100-46 Nippon Credit 64-85 17-46 12-24 99-4 100-46 Nippon Credit 64-86 16-4 7-14 98-2 99-4	Mor 10075 101.25 100.75 101.25 —.25 . Aer 101.25 101.75 101.25 102.00 —.25 .
	AMEX Index	Bk Tokyo Hdg 1988/91 1642 B.4 9874 9934 9934 Bu Tokyo Hdg 5td 29 16/2 7-27 9834 9945	Nacional Fin 5½-85/91 14% 9-24 96% 97% Nacional Fin 6-85/93 17% 7-7 101% 102% Desterreisch Bk 5'4-86 10 7/16 11-16 1001/2 101	Mov 102.50 Jul 100,75 Aug 101.75 Prev, soles 4,834,
Í	-4177.61.2% 1174.02% Hipo Low Close Chg. 173.21 171.54 172.96 +1.34	Brod Rome 6-87/91 16-14 10-28 991/4 100/18 BFCE 6-14-83 1644 10-28 991/4 100/14	Bt. Scotland 74-83 19 9/16 12-11 1014 1824 Bt. Scotland 54-86/94 16 3/16 7-14 9949 9949	Prev day's open int 17.761. of: 141. 51LVER 5,000 tray oz.; pents per tray oz.
ĺ	Tokyo Exchange	BNP 54-83 16% 7-19 974 1004 BNP 54-83 174 7-21 994 1004	5tond, & Chort, 64-84 10 3/16 11-30 100½ 101 5tond, & Chort, 5½-90 174 8-13 99 99½ 5tond, & Chort, 5½-90 171/16 9-9 99 99½	Jun 1030.0 1034.5 1016.0 1017.0 +2.0 :
l	June 23, 1961 Yen Yso	BNP 512-85/88 16 7/16 7-23 9816 9916 BNP 512-85/88 16 7/16 7-23 99 9912 BNP 1996 17'4 12-11 9816 9916	Svenska Handels 5-87 17 13/16 7-15 99% 99% 5karebanken 4-87 16 13/16 13-21 98% 99	Dec 1100.0 1107.0 1087.0 1098.0 +15; Jon 1119.0 1119.0 1104.0 1103.3 +15, Mar 1143.0 1145.0 1128.0 1129.8 +1.8
ļ	Asohi Gloss 640 Alitsubi Corp. 659 Coron 1490 Alitsubi Elec 399 Dol Min. Peter 280 Alitsubi Elec 399 Alitsubi Co. 300 Dol Min. Peter 280 Alitsubi Corp. 659 Dol Min. Peter 280 Alitsubi Co. 300 Dol Min. Peter 380 Alitsubi Co. 300 Dol Min. Peter 380 Alitsubi Co. 300 Dol Min. Peter 380 Alitsubi Co.	Bonokok Bi 4V-94 1424 0-39 989 999 BUE 53-89 181/16 9-30 98 989 88 Worms 54-84 16 13/16 6-17 999 180 Barco Union 77-83 15 3/16 19-1 964 979 180 Barco Union 77-83 17 7/16 8-9 999 999	Thoi Formers 746-84 10 6-23 9744 9834 UBAF 634-82 1514 9-28 9914 9934 18 8 714-82 1734 12 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9	Mgv 11e90 11e90 11e90 11sq3 +1.5 2 Jul 1159.8 -21.8 1 Sep 1209.3 +1.5 2 Dec 1249.1 +1.5 2
l	Dolivo 270 Althouton 455	Berger Bank 6-89 193/16 0-28 99% 100	Union Norway 6-89 16 1/16 7-5 97% 98% Union Norway 6-89 16 1/16 7-5 97% 98%	Jon 1262.4 +1.5 : Mor 1288.9 +1.5 : Prev. Sales 3,740. Prev. Sales 3,740. Prev day's open in 130,761, up 94.
l	Joven Air L. 217 Serry Corp 4,900 1	Cilicorp 6-94 1814 9-10 9976 10076 Cilicorp undid 15% 7-13 9996 10076	Urquio inti 6-86 14 1/16 9-23 974 984	PLATINIA
1	Korsoi El. Per. 940 Sumitorno Chem. 178 Kpa Soop 530 Sumitorno Metal 272 Korrosok I Steel 211 Toksha Mortine 315	CCCE 514-98 17 51 16 7-20 981/2 99 CCCE 514-88 17 8-6 983/4 983/4	Wil. Glyn's Bk 54-91 15 15/16 9-16 98 98% 100%	90 Troy ez., dollers per troy ez., Jun 462,50 442,50 455,00 455,00 Jul 462,00 457,00 455,00 455,00 Cct 481,00 455,50 473,00 475,80 -120, Jon 480,00 50,00 440,00 472,80 -20, Apr 515,00 516,00 510,00 507,80 +30,00
l	Komolsu 458 Tellin 203 Kubota 344 Tokya Martiny 740 Matsu El, Ind. 4.120 Teray 303	CCF 8Vs-83 1636 7-13 9936 10036 CCF 5Vs-85 173 113 10036 10036 Creditionst 54s-84 1846 11-23 10097 101	Non Banks	Apr 515.00 516.00 511.00 547.80 +.30 Jul 526.80 +.00 Prev. salos 2,474. Prev day's apen int 7,621, up 38.
١	Mitsubi Hvy Ind. 307 Yamaichi 3e0 New Index : 576.56 ; Previous : 572.52	Creditural 5vs-61-97 10 9-16 9916 9936 10000 Credit Lyon 6-83 17 5-16 8-72 9936 10000 Credit Not 7-54-88 16-98 7-13 9906 9936 Christiania Bir 5vs-91 17 5-16 8-5 98 9845	1sauer-Min cps-Mat. Coupen Next Bid Askd Atty 10-84 18 5/16 6-18 98 98 98 19 15/16 11-9 98 99 14 5/16 9-23 98 99	GOLD 190 froy et., dollars per troy et. Jun 46150 46750 46250 463.40 —.60
ł	Mikkel-DJ (adex : 7,705.41 ; Previous ! 7,668.86	DG Bonk #4-82 16 12/1a 12-17 100 1001/2 Den Norsk a-Nov90 17 5/16 5-8 98% 98% Den Norsk a-Doc40 17 11/16 6-17 981/2 99 Girazentrole 5/4-91 19 1-16 4-23 99 99%	1C Industries 1991 17 15/16 7-15 97/4 Bid 1H1 574-85 16 11/16 18-27 99/4 99/4 C. Itoh 5/4-87 15 7/16 9-18 95/4 99/4	Jul 466.50 466.50 466.50 465.10 —20 *. Aug 474.50 475.50 489.50 471.20 —1730* Oct 487.00 487.50 489.00 487.40 —1730
l	Paris Commodities Floures in French frames per metric fon!	Goldborsken 6-88 19 9/16 11-18 300% 100% GZB 7½-81 119/16 7-20 99% Bld GZB 6-83 167/16 10-9 99% 100%	Philliopines 612-86 16 11/16 10-27 96 91 Sum1 Neavy 516-83 15 15/16 9-16 100 Bid Seroi Henry 512-84 18 17/16 9-13 100% Bid	Apr 271.00 522.00 521.00 518.10 -1.60 Jun 533.50 533.50 531.00 530.10 -1.80
l	Nigh Low Close CO. BUGAR	GZB 514-92 174 12-7 9919 99 Hydrocurb 717-82 18 1.716 6-24 10014 10014 18 J 6-83 1717 8-15 9924 10014	Sweden 9lock 91 1646 7-21 97% 97% Softel 8-83 1513/16 8-10 99% 99% 99% 12-8 100 100½ 12-scns Airlines 7-86 1634 14-7 89 97	Oct 554.40 -2.10 Dec 572.00 572.00 564.00 564.70 -2.20 Feb 577.50 577.50 577.50 577.10 -2.20
	Aug 2470 2435 2448 2446 - 49 Oct 2346 2330 2359 2355 - 75 Nev N.T. N.T. 2346 2345 - 40 Dec 2346 2335 2355 2345 - 80 Mor 2445 2330 2447 2445 - 4	18J 647-82 1675/16 11-1 9934 10004 18J 547-85 17 12-3 1004e 11004e 18J 546-87 11 1/16 10-15 9934 9975 18J 546-88 167-16 10-9 9875 9934	TVC Plock-91 10% 11-39 96% 97% 100 11-39 96% 97% 100 17% 7-21 99% 100 173/16 0-10 97% 98%	Apr 591.50 -2.40 Prav. soles 31,919. Prev day's open ini 281.820. up 1.018.
ļ	Mor 2,445 2,430 2,447,2,445 — 68 Moy N.T. N.T. 2,465 2,470 — 65 Jlv N.T. N.I. 2,470 2,570 — 65 Aug N.T. H.T. 2,460 2,546 — 60	Indo-Suez 5's-85 11's 7.77 98's 10046 Indo-Suez 5's-85 10-4 7.13 99's 9924 Weslminster B4 6-84 16's 10-22 100 10045 KDP 6's-83 17 5/16 7.23 99'3 10046	Permex 7-84 17% 7-27 991/2 100 Permex 6-86/91 15 5/16 18-8 96/2 100 Prices supplied by Credit Suisse-First Beston Ltd_Landon.	Dividends
1	760 lots of 50 lons. Open interest: 8.498 CDCOA	Selected Over	the Country	June 22, 1981 IHCREASED Company Per, Amnt Pay, Rec.
	Dec 965 960 955 965 + 10 Mor N.T. N.T. 990 1,010 — 70 Mov N.T. H.T. 1,015 1,027 Unch. Jly N.T. N.T. 1,035 1,041 + 5	NEW YORK (AP)- Closing Prices	Perulpon 17 17%	Amer Not1 B / 1Col 1 D .12 7-15 6-30 Felming Cos D .31 9-10 8-28 Oligeor Co D .35 7-10 6-30 Volmon1 industries D .30 7-15 7-4
ļ	22 kg s of 18 lons. Open interest: 409	The following list is a selected Notional Securities Dealers Assn. ComShr 15 16	InBkwsh 13% 13% Philanat 33% 23% Percess 10% 10% 10% 10% 10% 10% 10% 10% 10% 10%	STOCK Company Per. Amni Pay. Rec. Keystone Foods 10PC 8-10 7-20
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	Sliver in pence per irov ounce June 23, 1961 Teday Previous	AELING 17'7 18 CVC11'01 15% 16'4 AFAProl 9 10'2 DonivM 68'4 69'4 AVMCP 4'8 4'4 DinDes 21'4 21'4	Kaivar 214 25-16 PhSvNC 1114 111/2 Kaman 5 24/4 24/4 PuriBen 26 26/2 PuriBen 14/4 15/4 PuriBen 14/4 15/4	Company Per. Amn1 Pay. Rec. American Express D .00 8-10 1-4 Anderson Indust D .10 1-28 7-74
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ł	3 months 865.50 886.00 888.50 887.00 Colloides: seot 853.50 854.00 856.00 856.00 2 months 875.00 376.00 876.50 880.00 Thi: speci 6,330 6,375 4,380	Alcolnic 451-47 DioCrys 231-24 Alkolnic 451-47 DioCrys 231-24 AllynB 71-B Diancru 22 38 Allen 7 1- Doculis 301-207-2	Kroles 174 174 Robber 48 49 4 Kulicke 164 194 Robber 234 215	Ipshe Fsi Nori Bi. D .21 7-17 1-2 Keystone Foods D .00 8-10 7-28
Ì	3 months 6,465 6,470 6,505 5,510 Lead: spot 363.00 363.50 366.00 367.00 3 months 369.00 349.75 372.50 273.00	Amure 22% 23 Dollron 164s 164s AFurn 5-s 5- Dovides 141/2 144- AGreet 144s 141/2 Durking 245s 27 Alnoos 614- 62 Durking 171/2 171/5	Lond Res 44 612 Run 5tov 174 1745 Lone Co 384 391 Souther 114 415	Manarch Avelon Inc D 22% 7-15 7-6 Notil Gypsum Co D 37 18-1 9-10 Proker Intil D 35 7-21 7-6 Rubbermold Inc O 27 9-1 8-14 Sterichl Bros Stores D .17 9-18 8-27
l	Zinc: spo1 434.00 435.00 438.00 440.00 3 months 433.00 433.50 436.00 437.00 Silver: spo1 513.00 513.90 511.50 572.00	AlnGes 21-42 Durims 17/4 17/5 AMicros 20-424 Epothol 27/5 24/6 ANotins 14/4 14/9 Ecomich 21/6 13/6 AOcosr 21/4 22 ElPosel 10 10/6 AResMp 19/4 20/4 ElPosel 10 10/6	Linecia 34 34.2 StPoul div 484 Logern 26 2642 SconD 2 24e	A-Anguol: M-Monthly: Q-Quorierly: 5-Semi-An- opal.
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	(Gasoli in U.S. dollars per metric ton) June 23, 1981 Nigi Low Close Previous	BolivPP 10'4 10'2 Fi0icor 21 2114 Borne 1146 1146 FtBLSys 4114 4174 Bosser 84 014 FtBosm 364 3749 Bosser 24 24'4 FtBosm 364 3749	McQuoy 1712 1796 51sr151 396 396 MeyerF 4612 4534 51rmvCl 20 39 Mids. W 1616 1716 Suboru 22 2316	AllsChaim of IowoBeef Philivanii Arvite Ind Jewel Cas Purotator Arvinin 2nd Kennmii Rampec
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	Jiy 770.00 759.00 160.00 762.00 762.00 765.00 Sep 802.00 787.00 789.00 790.00 790.00 795.00 Coc 842.00 825.00 829.00 830.00 835.00 836.00	BrwTorn 30% 3) Fremn) 5 23% 23% 30% 31% Buckhec 11% 11% FullridB 20% 21 Buffets 23 33% Golgano 12% 12%	MolClub 29s 22s TysonFd 15th 15th Mueller 30 31th UnMcGli 20th 21th NorroCos 22th 24th USEnr 10th 10th 10th	HartsHak OwenIII 4pt NEW LOWS—16 Assimation Macy at Pages Inc.
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Tables include the nationwide prices up to the closing on Wall Street. Ciose Prevalence Conse Prevalence Conse Prevalence Conse Prevalence Conse Prevalence Conse | 12 | Month | Slock | Sis. | High Low Div | m | S | 10, P | E | 100s | P | 2134 | 1914 | Rehit | Month | Mont | The Particle | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | 1979 | | 131/16 | 2014 | Norde | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131

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International Herald Tribune

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24 Cruise port 25 Where the poetic harp hangs mute 29 Madras, e.g. 31 Gold medalis

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concoction 47 Hem in 49 Back talk 51 Jacket WEATHER

53 Monogram of Emerson or 55 Type of fiddler

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'Bonnie Bruce" 65 Cut and splice 66 Impression Edouard 67 Makes a fluff 68 "Take— your leader"

DOWN I U.S. artist Reginald: 1898-1954 2 Becomes sened 3 People in a

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40 Bed down in a new home 43 Con man's 47 Palms with orange fruits 48 Cheap, in

50 "God shallthee": Acts 23:3 52 Hawalian chief justice: 1900

Thalia 56 Quick as-57 B)t of information 58 Flat cap

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ADVERTISEMENT INTERNATIONAL FUNDS

· - June	23.1981
The net asset value quotations shown to the exception of some loads whose quote marginal symbols indicate frequency of the ly; (w)—weekly; (m)—monthly; (b)—bi-m	olow are supplied by the Fands listed will so are based on Issue prices. The followin quotations supplied for the 1H7:(0)—da tonthiy; (r)—regularly;(1)—kregularly.
ALLIANCE INTLC/o Bk of Bermuda,Berm. —)d)Alliance Intl.\$Rsvs.(\$1) 18.4pct [Other Funds
_	(r) Arab Finance I.F
BANK JULIUS BAER & Co Ltd:	(w) Ascal Commodity Fd 5810.
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BANK VON ERNST & Cle AG PE 2022 Bern — 1d) CSF Fund	(w) Citodel Fund
— (d) Crossbow Fund)m) Cleveland Offshore Fd 5 (,532.4
	(b) COMETE
_ BRITANNIA TRUST MNGT.)CI) Ltd.: —]w) Universal Growth Fund 1,255c _— (w(High Interest Sterting £77.60xd)w) Convert. Fd Ini. 2 Certs 5184
(w(High Interest Sterling £77.60xd	(d Cortext International 5103.4
CAPITAL INTERNATIONAL :	+(w) Currency Trust
- CAPITAL INTERNATIONAL : Iw) Copital Int'l Fund	(w) D.G.C
- Iwi Convertible Copital S.A 5 32.09	(d) Drayfus Fund Inf7 524.1
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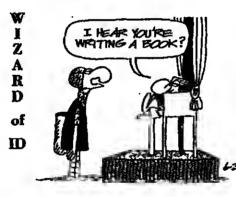






















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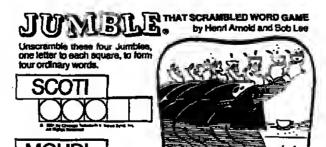
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Now arrange the circled letters to torm the surprise answer, as suggested by the above cartoon. (Answers tomorrow)

Jumbles: ABIDE CLOAK INDUCE DEAFEN Answer: A tooth "extracted" from an American In

HEAR THIS?

Imprimé par P.1.O. · 1, Boulevard Ney 75018 Paris

DENNIS THE MENACE



I LIKE YOUR REGULAR OLD FACE BETTER."

BOOKS

THE MAPMAKERS

By John Noble Wilford. Illustrated. 414 pp. \$20. Knopf, 201 E. 52d St., New York 10022.

Reviewed by Christopher Lehmann-Haupt

Glenn, when he looked down and saw the whole state of Florida" near the end of his Earth orbit in 1962; then subsequent astronauts; then the rest of us when we saw the first photography from space - we were all a little amazed. The Earth looked just like a map; they had gotten it right! And though even the dumbest among us knew the approximate answer when we stopped to think about it, there was part of all of us that exclaimed: How did they know? How on earth did they know?

That is the question John Noble Wilford tries to answer comprehensively in "The Mapmakers," How did they know? The answer, of course, is basically triangulation, or the surveying technique of establishing the relative position of the apex of a triangle by measuring the length of the baseline and the angles to the apex.

line and the angles to the apex.

But there was more to it than that. There was the job of establishing such first principles as the notion of comprehending and measuring the universe and of representing it oo a map. As usual, the Chinese got good at it first, but the Greeks worked it out for Western purposes. A second-century (A.D.) Egyptian named Claudius Ptolemy helped too, even if he did think the Earth was the center of the universe. Also useful was a 16th-century German named Gerardus Mercator, who squared the circle by figuring out who squared the circle by figuring out a way to project the spherical world onto a flat surface.

Then there was the donkeywork — exploring, discovering and surveying, endlessly surveying. Men died surveying, and also got mosquito-bitten. The rest of the story is pretty much tech-nology — progressing from a wheel whose revolutions you counted so as to measure distance, to a laser beam bounced off distant mirrors at calculable intervals of time. That's the story of mapmaking in a nutshell.

Wilford, who is science correspondent for The New York Times, where he has covered all the major space ex-

Rome Weighing Plan to Excavate Forum Complex

ROME — A proposal to excavate sections of five Roman imperial forums and join them into one archaeological park is being considered jointly by the city of Rome and the Italian government.

"This project would allow the public to see the whole Roman forum complex as it was before the Middle Ages, to appreciate its unique conti-nuity," said Giulio Carlo Argan, the 72-year-old art historian and former mayor of Rome.

If adopted, the project would require the partial closure of one of Rome's busiest streets, the six-lane Via dei Fori Imperiali, built by Mus-solini in 1932. Underneath, archaeologists hope to unearth gardens, malls and gates joining the Roman forum with the imperial forums of Caesar, Trajan, Augustus and Nerva and the Forum of Peace.

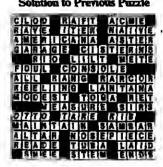
The proposed excavation, which would add about 7½ acres to the ISOacre forum complex, was conceived. by the superintendent of archaeological monuments, Adriano La Regina.

"This project will allow us to change the present situation where many of Rome's ancient and fragile monuments border traffic-congested. avenues, causing damaging pollution," he said.

The Rnman forum, constructed in a

marshy valley between two of Rome's seven hills, dates from the 3d century B.C. Until just before the Christian era it was the political, social and cultural heart of the city, where Romans gathered to celebrate religious festivals, to watch political executions, or barter with merchants.

Solution to Previous Puzzle



DESPITE everything, we were all a plorations, doesn't try to tell the story in a nutshell. Instead, he makes his way at a leisurely and detailed pace. He starts around the time that Era-tosthenes, an Alexandrian librarian of the third century B.C., tried to figure out the circumference of the globe from a sundial, missed by only 16 percent, and thus became the father of geodesy, the science of Earth measurement. He ends with the incredible story of the mapping of Mars.

In between, there is something for everybody - gadgetry for the technically avid, the story of the clandestine survey of forbidden Tibet, for admirers of human intrepidness. For collectors of unlikely facts, there is news that there seem to be lakes beneath the antarctic ice sheet, containing water melted by heat flowing up from the Earth's interior. For those who wonder if maps ever lead to discovery instead of vice versa, there is an account how the mapping of the great Mid-Ocean Ridge led to confirmation of Alfred Wegener's theory of continental drift.

My own preference in "The Mapmakers" was for the stories of human perseverance — explorers in the Age of Discovery nosing about for the Northwest Passage; the 18th-century Frenchmen who suffered disastrous expeditions to learn whether Isaac Newton was right in calling the planet Earth an oblate spheroid; the Cassini family, who mapped France and took four generations to complete the job. I got a little bogged down in the later stages of "The Mapmakers." where Wilford takes up such matters as iso-lines, the difference between geometric and dynamic geodesy, the uses of Doppler positioning and John P. Snyder's mathematical equations for Alden P. Colvocoresses' Space Oblique Mercator Projection, known in mapmaking circles as Colvo's Projec-

But these matters will no doubt be meat for anyone who happens to be more interested in where mapmaking is headed than in where it's come from. The way it looks to me is that if the computers and the people who feed them get any more resourceful. they are not only going to provide us with a photograph of the whole Earth — one with all faces exposed simultaneously — they are also going to end up building a full-scale model of the planet. We can probably use one.

Christopher Lehmann-Haupt is on the staff of The New York Times.

Best Sellers

The New York Times This list is based on reports from more than 1,400 bookstores throughout the United States, Weeks on list are not necessarily consecutive.

FICTION ! NOBLE HOUSE, by James Cla-2 GORKY PARK, by Martin Croz GOD EMPEROR OF DUNE, by FREE FALL IN CRIMSON, by John D. MacDouald...... TAR BABY, by Tool Morrison....

THE WHITE HOTEL by D.M. THE COVENANT, by James A. Michener

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NONFICTION

1 THE LORD GOD MADE THEM . THE BEVERLY HILLS DIET, by

Judy Mazzi

COSMOS, by Carl Sagan

PAVAROTTI: MY OWN STORY. by Luciano Pavarotti with
William Wright.

NICE GIRLS DO, by Irene Kas-

6 NICE GIRLS DO, by Irene Kassoria.

7 YOU CAN NEGOTIATE ANYTHING, by Herb Cohen.

8 THE PRITIKIN PERMANENT
WEIGHT-LOSS MANUAL by
Nathan Prikikin.

9 WEALTH AND POVERTY, by
George Gilder.

10 WILLIAM E DONOGHUE'S
COMPLETE MONEY MARKET
GUIDE, by William E. Donoghue
with Thomas Tilling.

11 DANCE MACABRE, by Stephen
King.

King King NUTRITION BREAKTHROUGH by Dr. Robert C. Atkins.

13 MARIA CALLAS, by Arisma. 14 THE EAGLE'S GIFT, by Carlos Castaineda

15 CRAIG CLAIBORNE'S GOUR-

BRIDGE

SOUTH bid strongly in the face of diamond bids by her opponents, and eventually continued to five clubs when her partner contributed a bold raise in that suit. West led a diamond and since the heart finesse was due to win, the defense could not hope to take more than a trick in each black suit. But a funny thing happened when South ruffed the opening lead

NORTH ♥J1052 0752 **\$10652** WEST (D) EAST **♦Q3** ♥863 **4K374** VK97 ♦ AQ1098 **♦**KJ643 **4QJ4** SOUTH 4AJ1062 VAQ4

AK987 Both sides were vulnerable. The bid-South 1 4

West Pass 2 0 10 Pess 44 30

West led the diamond four.

The second secon

and played the trump ace: West dropped the club queen. South played spades, surrendering the second round. She ruffed the dia-

spade to reach this position: NORTH VJ105 WEST SOUTH ₽A4

South felt sure that the guarded trump jack was on her right, for West would no doubt have ruffed one of the spade leads if she had begun with a doubleton Q-I of trumps. It seemed

dummy, South was homified to see East throw a diamond. The contract was down one, and South congratulated Past on her fine deceptive defense. "I once read it in the paper," was

*Ref

13-1

mond return, ruffed a spade, led a heart to the queen and ruffed another

By Alan Truscott

EAST · 🗘 K9

AK9

sale to take the trump finesse.

When she led the trump ten from

the modest response.

Lloyd and 3 Primary Rivals Gain Wimbledon 2d Round

WIMBLEDON, England — Chris Evert Lloyd, favorite for the Wimbledon women's singles title. began her bid Tuesday by easily defeating Australian leithander

Chris O'Neil, 6-3, 6-0.
Three of Lloyd's primary rivals
for the title also won in straight
sets. Hana Mandlikova of Czechoslovakia, seeded No. 2, had the most trouble. She got past Corinne Vanier, a 17-year-old French lefthander, 6-3, 7-5, but showed no visible signs of the back injury that has been bothering her in the last 10 days. Because of the injury, Mandikova had withdrawn from Wimbledon's mixed and women's

Fourth-seeded Martina Navratilova, who won here in 1978 and 1979 downed American Joyce Portman, 6-4, 6-0. Andrea Jaeger, the 16-year-old U.S. prodigy, cruised past Nerida Gregory of Aus-tralia, 6-1, 6-1 Jaeger is seeded

1st Seed to Fall

Mary Lou Piatek of the United States saw to the defeat of the women's singles' first seeded player, beating No. 9 Sylvia Hanika of West Germany, 6-4, 7-5.
Kathy Rinaldi, three months

past her 14th birthday, became the youngest winner in the 104-year history of the Wimbledon tennis championships. In a marathon against Susan Rollinson of South

MENTS SINGLES
First Readd
Chris Lewis, New Zectord, def. Chris Dunk,
U.S. 6-7, 7-6-9-6-6-4, 6-4; Rose Cose, Australia,
def. Rick Fower, U.S., 6-1, 6-2, 6-1; Chris Johnstone, Australia, def. Craig Miller, Australia, 6-4. 6-1, 4-6, 4-6, 6-3; Marry Davis, U.S., def. Schlerne Glikstein. (srael, 7-5, 5-7, 2-4, 7-5, 6-4; John Sodri U.S. def Andrew Jorrett, Britoin, 6-3, 6-7, 6-3, 7-6; John Fitzperold, Australia, def, Scott McCoin US-67.7-663.63

115.6-7.74.6-3.6-3.
Pot DuPre, 113. det. Tornos Smita, Czechoslovakie, 7-5.6-3, 3-4.6-2; Christophe Roger-Vosselin, France, def. Jose Lopez Moseo, Spoin, 6-4.6-4.7-4; Victor Annoto. 115. def. Peter Felgi, Austrica, 6-4.7-4; 6-7.7-6; Tim Marvinia, U.S., def. Bernie Mitton, South Africa, 6-3. 6-4, 6-2; Roscoe Tomer IS, U.S., def. Beruca Manson, U.S., 4-1, 4-4.6-4; Torny Glommatva, U.S., def. Scott Dovis, U.S., 6-2, 7-4, 6-2; Stan Smith, U.S., def. Haroon Ismail, Zimbabwe, 6-3, 6-1, 6-3; Kevin Curren, South Africa, def. John Ralley, U.S., 4-4, 4-3, 2-4, 4-4, 3-2, 4-4, 4-3, 2-4, 4-3, 2-4, 4-4, 3-2, 4-4, 4-3, 2-4, 4-4, 3-2, 4-4, 4-3, 2-4, 4-4, 3-2, 4-4, 4-3, 2-4, 4-4, 3-2, Zimbabwe, 4-2, 6-1, 6-3; Kevin Curren, South Africa. def. John Balley, U.S., 6-7, 4-6, 6-3, 7-5, 6-4; Francisco Genzalez, U.S., def. Christophe Freyss, Franca. 6-0, 7-5, 6-2; Fritz Buethning, U.S., def. Richard Lewis, Britoln, 7-5, 4-6, 4-6-4; John Feover, 8-fribain, def. Fernondo Mowwette, Peru, 7-6, 6-2, 6-1; Johan Kriek, South Africa, def. Alike Ester, U.S.-6-2, 4-3, 6-3.

67, 62, 6-2, 6-2; Brad Drewett, Australia 67, 62, 62, 62 Brad Drewith, Australia, def.

**Marcas Noewar, Czechoslovakia, 7-6, 44, 64, 6
31 Rod Frawfov, Australia, def. Thierry Tulcare.

Franca, 46, 62, 63, 601 Heart Leconte, Francadef. Joint Alexander, Australia, 64, 24, 64, 62;

Boltzs Taraczy, Hungary, def. Anders Jarryd.

Sweden, 7-6, 6-4, 6-31 Bob Lutz, [1.5, def. David
Carter, Australia, 64, Guillermo Vilaz, Argenlina, 6-4, 6-1, 1-4, 6-3) Carlos Kirmayr, Brazil.

Jet. Mark Cox. Britonia, 6-1, 6-4, 6-4, 6-4; cause. Set. Mork Cox, Britain, 53, 574-6, 54; Gilles Moretton, France, def. Joline Filial, 44, 62, 62, 6-1 Jookim Nysfrom, Sweden, def. Sashi Menon, India, 44, 54, 34, 64; Russell Shroscon, New Zeoand, det. Steve Featon, U.S., 7-6, 6-2, 7-6,

WOMEN'S SINGLES

First Round
Mortina Norottlova, Czochoslovakia, del.
Jovce Porimen, U.S., 6-4, 6-0; Ann Hobbs, Britpin, del, Iris Riedel-Kuhn, West Germany, 6-1, 6Ir Chris Evert Lloyd, U.S., del. Chris O'Nell, Ausraila, 6-3, 6-0; Betsy Napelson'i U.S., Gof. Isabella Villiper, Switzerland, 6-2, 6-1 Andrea Joeger. U.S., def. Nerida Gregory, Australia 6-1, 6-1; Hana Mondlikova, Czechoslovatid, def. Corinne Hand Mantilliand, Crecheslovakia, det. Corinne Vonler, France, 6-3, 7-6. Hand Strachodova, Switzerland, det. Claudia Cosobiança, Argentino, 6-1, 6-4; Petra Dethees, Switzerland, det. Lesley Charles, Britale, 7-3, 7-6. Glynin Coles, Britain, det. Terry Halbaday, Lis. 7-5, 6-4; Berlay Napolesen, Li.S., det. Isobelle Vij-liger, Switzerland, 6-2, 6-1; Sevan Loe, Australia, Lesson Asserberg, Armenital, 5-3, 2-4, 6-4.

5.43; Lealic Allen, ILS. def, Anthea Cooper, Brit-ols, 6-1, 6-3; Sharon Walsh, ILS. def, Beth Norton, U.S. 6-2, 7-6; Mary Lou Platek, ILS. def, Sylvia U.S., 6-2, 7-6; Mary Lou Piatek, U.S., def. Svivia Hailia, West Germany, 6-4, 7-5; Kathy Rhojak, U.S., def. See Rollinson, South Africa, 6-3, 6-4, 9-7; Wendy Turnbull, Australia, def. Diane Desfar, U.S., 7-5, 6-3) Eve Ptoff, West Germany, def. Debet Froeman, Australia, 6-3, 6-2; Trace Austla, U.S., def. beat Ive Budarova, Czechaslovakia, 6-6, 6-3, Virginia Ruzici, Remania, def. Kathilean cummings, U.S., 6-3, 6-4; Sandra Collies, U.S., 6-6, Roste Canala, U.S., 6-3, 6-2; Nina Bohn, Sweden, def. Stacy Marpolin, U.S., 6-0, 6-7, 6-3. Africa Rinaldi came back to win, 6-3, 2-6, 9-7, after Rollinson had served for victory at 6-5 in the fi-

After battling for 2 hours and 35 minutes, Rinaldi came off court giggling happily and saying, "This was such an important match to me, because I have always wanted to play at Wimbledon."

Rinaldi, who said she was given toy racket when she was 4 but "didn't start playing seriously until 1 was 8," was not the youngest player ever to appear at Wimbledon, Mita Klima of Austria was when she lost a first-round match in 1907. Tracy Austin was 14 years, 6 months old when she beat Elly Vessies Appel during the 1977 Wimbledon.

It was another hot, sunny day and thousands swarmed around the grounds of the All-England Club. The second day of the lournament is traditionally ladies' day, but a number of first-round men's singles matches had been left un-completed from Monday and had to be fitted in.

Vilas Beaten

The dispersal of seeds in the men's singles continued. Mark Ed-mondson, the big-hitting Australia, upset No. 10 Giullermo Vilas of

Argentina, 6-4, 6-1, 1-6, 4-6, 6-3. That meant only 11 of the original 16 men's seeds made the second round. Ivan Lendl of Czechoslovakia (No. 4), Victor Pecci of Paragnay (No.11) and Yannick Noah of France (No. 13) were beaten Monday; another, fifthseeded Gene Mayer, pulled out of

and Wednesday, when it hits 13, the owners' considerable strike inthe tournament with a wrist injury.

All eight seeds in the top half remain in contention. With Vilas' defeat, only three seeded players stantive negotiations. The owners remain in the bottom balf haven't put forth any new propos-als, and Marvin Miller, bead of the Americans John McEnroe, Roscoe Tanner and Balazs Taroczy of

Hungary.
Vilas, a two-time quarterfinalist, players' association, isn't attending meetings - even when there are staged a tremendous comeback after dropping the first two sets. But ress, but Miller suggests that com-Edmondson, 72d in the ATP world pared to what is coming, with the owners set to collect \$100.000 per rankings, regained the initiative. He broke his opponent's serve in cancellation until early August, the first days of the strike could start the sixth game and held on to his advantage to clinch victory with a looking like the good old days. sizzling service winner. Lloyd played from the baseline

and treated the center court crowd to an immaculate display of ground strokes. O'Neil, a tall, willowy player, showed more aggresthe beginning. A lot of people didn't believe that at first...." siveness, although to no avail. She went eagerly to the net looking for volleys, but the American, playing from the baseline, passed her re-Mandikova .led, 6-3, 4-1, and

appeared headed for a quick victory. But Vanier fought back to knot the second set, 5-5, and Mandlikova was hard-pressed before finishmg off the match with a superb backhand service return down the

"The first match is always very part of the coverage had been can-celed. But "there have been no cancellations," said Ben Prybutok. difficult," said Mandlikova. "Because of my injury I haven't played or practiced much on grass and it was very slippery out there. "It's particularly hard against someone Allianz, which wrote almost \$20 who has nothing to lose." million of the owners' insurance.

Navratilova played erratically in the first set, which included a staggering nine breaks of serve. Her service was inconsistent and her volleying poor. She lost four set points - three of them on her own serve - before finally picking up the set.

"I was a little tentative. The bounces were low and I wasn't sure what to do with my service,"

Pope Reportedly Retains Sports Agent McCormack

The Associated Press

ST. PETERSBURG, Fla. — Agent Mark McCormack, molder of the business empires of Arnold Palmer, Bjorn Borg and other sporting greats, reportedly has a new client — Pope John Paul II.

McCormack's Cleveland-based companies, International Man-McCormack's Cleveland-based companies, International Management Group and Trans World International, will advise the Catholic Church of the United Kingdom on packaging the pope's 1982 visit to England, Wales and Scotland, The Jacksonville Times-Union and The St. Petersburg Times reported Tuesday.

"Agreement was finalized three nights ago," Monsignor Raiph Brown told the Times from his London office Monday. "It is quite the standard of the Company of t

unprecedented, but we felt a need to generate sufficient money to cover costs associated with the Holy Father's visit."

Brown told the Times that although the church is not responsible for all expenses in the pope's visit, scheduled to begin next May 28, church officials believe they need enough money to cover such expenses as security.

£1 Million a Day

"We are budgeting £1 million per day (\$2 million) for the Holy Father's visit," Brown said. "We all were bornified when the pope was wounded in Rome and again, when Queen Elizabeth was stunned by a man firing blanks from his weapon. Precautions will be extensive. Since this is classified as a private visit, we are expecting the church will be charged for a good deal of police work."

The newspaper said Brown will meet regularly with lan Todd, vice president for McCormack's London operations, on the devel-

opment of papal memorabilia. We realize [McCormack's] clients have traditionally been sports figures, but from among the seven organizations that were considered, his seemed best qualified to advise," Brown said. "We

needed expertise in television and videotapes. Brown said the British church is aware of "some of the trashy, unofficial items" sold during the Pope's 1979 visit to the United States. "While Mr. McCormack's people will give advice and guidance, we will be the ones controlling the development of such items as commemorative plates, printed materials, videotapes and, yes, perhaps even T-shirts, statues and the like," Brown said.
"I would like to think of it like a patronizing of the arts."

Transactions

TORONTO—Announced that Ed Schneider a Chris Phillips, elichers, Charlie Foucette, Hielder, and Terry Raley, Enertstee, had read to contract terms. Assisted Schneider d Faucette to Bradenton, Flo. of the Guil

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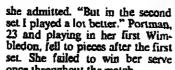
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BASEBALL BALTIMORE—Announced that Jeffrey Lock-pilcher, has opreed to contract terms, and as-aned him to their rookle league form toom in locifield. W.Vo.

Loast Leotus, Romey to Kinston of the Loretina Leotus: and Phillips to Medicine Hat. Afta, of the Planeer Leopus. Martienal Leopus AONTREAL—Signed Darren Dillis, pilcher, and Mike Fuentes, auflielder, Assistand Oliks to Memobils of the Southern Leopus, and Forentes to West Patra Geoch of the Florida State Leopus.

HOCKEY National Hockey Leadur BOSTON—Signed Mike O'Commil. (mpm, to e multi-year contract. SOCCER Hertin American Soccer Leature

merria American accer Lestuse
EDMONTON—Fired Tima Liekaski, head
coach. Acquanced that Joe Petrone, general
manager, will assume the head coaching defies
on interior basis. Acnounced that Bruce
Thamley would replace Jay Hoftman as pasish
and coach.



once throughout the match. Navratilova stuck to her prediction that she can win the tournament for the third time. "Of course

I still fancy my chances," she said. Navratilova, beaten by Jaeger in the semifinals at Eastbourne last week, said, "No one should be judged on their first match. If they were, Borg would not even reach the quarterfinals. The players always pick up later in the tourna-ment."

"You don't want to play fantas-tic early on and then fizzle out in the second week. I'm just getting into the rhythym of the first few rounds." Navratilova will play Susan Mascarin of the United states in the second round; Mascarin received a first round bye. Navratilova said after Tuesday's match that living in a rented house

"I did the laundry this morning and it made me feel a lot more at

By Mark Heisler

Los Angeles Times Service

LOS ANGELES - The baseball

strike was 12 days old Tuesday,

There still have been no sub-

That might not look like prog-

Nonbelievers

"They're going to try to starve the players out," Miller said.

They've built toward that from

Strike insurance is unprecedent-

negotiator, said in court two weeks

ago that because of all the atten-

tion given the strike insurance, be

did not know if the owners could

secretary of administration for the

Los Angeles insurance company of

sions are often regarded as its own

business, but a part of a strike is

instilling fear in the other side -

and the owners don't mind in the

fund of the clubs' own money, 2 percent of admission prices," said Hal Middlesworth consultant to

Grebey's player relations commit-

tee. "That fund was in the area of

million in business-interruption

policy, which becomes effective after a stipulated period. [The period was 153 dates, which came out to

13 days; over 153 days, a \$15-mil-

lion mutual assistance fund would

have also paid the owners about \$100,000 per cancellation].

that there bave been previous

strikes and there was the possibili-

ty of another one. This is common practice in industry. I worked 25

years in newspapers and I went

through five strikes. In every in-stance, the newspaper had busi-ness-interruption insurance. This is

Common or not, unfair or not,

the insurance is a new wrinkle in

just new in baseball is all."

The reason for buying it was

"Then there was an added \$50

There was a mutual assistance

least talking about this one.

\$15 million.

Miller suggested last spring that

buy similar coverage again.

surance kicks in.

here instead of a hotel has been a

help. "I'm enjoying myself a lot



... A 6-4, 6-0 first-round winner.

may be able to show a profit.

California Angel Vice President

Buzzie Bavası bas suggested that his tearu could endure a 53-day strike, which would take it up to

Aug. 8, the day the coverage runs

out, and "make a few bucks." Nolan Ryan, owner of a \$1 mil-

lion-a-year contract with the Hous-

ton Astros, would lose \$296,111

But Miller notes that a com-

plaint has been filed hy the general

counsel of the National Labor Re-

lations Board charging the owners

with failing to bargain fairly, Says

wouldn't dare to guess at the im-

There is a hearing this week,

the complaint is upheld, I

One of the implications Miller

wouldn't dare guess at is the possi-

bility that the insurance compa-

nies, in the face of such a court

ruling, could decide that their cos-

tomers had not tried to avoid the

strike and could then contest their

obligations to pay off.

during the same period,

plications.

Insurance: Owners' Ace in the Hole

A year ago the owners were pre-

pared for a strike over free-agent

compensation, but the players did a neat little end run. The owners

had assumed the players would

strike at the beginning of the sea-

son and had made preparations

based on that. Opening days are always well attended, hut after

that attendance in most cities falls

until the weather warms up. Miller, instead, decided to start

the season as usual and begin strik-

ing on Memorial Day, another big-

attendance day and the traditional

start of summer and the peak

The surprised owners sued for

What they got was basically a postponment of the compensation

ssue for one year. Miller com-

plains that they ran out and loaded

up on strike insurance. Prybutok

says that Allianz was first contact-

ed last fall, about four months af-

unless the owners triggered it by

saying they were going to make a unilateral change [by instituting their own compensation clause—

"We could not have initiated

this in any form or fashion. You

have a situation where the employ-

the insurance industry." Miller

if you buy mountains of insurance

so you don't have to bargain

That's really what's happened

In Florida this spring Miller said be had heard that part of the

coverage had been canceled and

suggested it was because the insur-

ance industry had gotten a clearer

idea of who could trigger a strike.

'Make a Few Bucks'

worth of strike reinsurance. Rein-

surance is the practice of an insur-

one it bas just sold with another

insurance company, as a bookmak-

er lays off a large bet with other

"The question is, what happens

continued.

which they did in February].

drawing season.

ter the settlement.

peace at the 11th hour.

The Soccer Seene

Greed Reluctantly Thwarted

By Rob Hughes

International Herald Tribune LONDON - While John Meenroe has again been upsetting the Englishman's genteel Wimbledon propriety, a bunch of British soccer players have been a world away, in South Africa, trying to commit a far more irresponsible and damaging disservice to the sporting world

They are 14 professionals who, out of greed, have helped to feed the apartheid that is rapidly polarizing every sport in every country. is barely five years since the South African issue wrecked an Olympic Games. It is barely five months since the same dispute ruined an English cricket tour of the West Indies. It is barely five weeks since the latest blacklist of those with South African links was declared.

So how on earth could the 14 have claimed they are innocent pawns in a political game?

. British soccer players are not noted for reading anything other than the sports pages, let alone the rulebook that would have told them indisputably that FIFA, the international governing body of soccer, had for the last seven years

session but then canceled it three

hours later, said both sides in the

dispute would resume bargaining

Baseball Strikes:

Watershed Was

The 1912 Tigers

DETROIT - The Detroit Tigers

The strike crupted over the sus-

pension of Ty Cobb, who went into the stands after a rancously

critical fan and slugged him.

American League president Ban

Johnson, who was among the spec-

tators, immediately suspended the

Detroit outfielder. Three days lat-

sandlotters and college students.

they stayed off the field.

here Wednesday afternoon.

lorbidden any member-country's players from performing in South Africa. Presumably their English clubs, at least, knew the rules,

Yet within a few hours of the players arrival. South African newspapers began to headline the "defiance" of FIFA and the sporting blacklist.

George Thabe, president of South Africa's fooball council, described the tour as "the biggest day in South African (soccer) history." He had announced the British would begin a four-match tour against a Transvaal team in Johan-

nesburg Wednesday. Back home in England, despite the fact that McEnroe was hogging the front pages and the South Afri can tour was small beer on the back, the English FA and the players' clubs were suddenly worried.

The FA warned that the players were risking their careers. The clubs began their pathetic explana-

'I have quite clearly indicated to my players [experienced interna-tional Sammy Nelson and Willie Young] that they have not got permission to play in any sort of game," said Arsenal Manager Ter-

ry Neill. "I trust my players — but to make sure. I have their promises in writing. I have left messages for them all over South Africa remind-

ing them of the position." If the word of his trusted missionaries was anything to go by. Neill had nothing to worry about. "I'm just bere to do some coachof any games being planned. We will be coaching in the schools and youth clubs with a mixture of blacks, colored and whites, which

to my mind sems fair enough." Hard-Lines

Fair enough? Well, neither Arsenal nor other leading English clubs, including Middlesbrough, Norwich, Leicester, QPR and Nothingham Forest, were reas-sured at Thabe's rejoinder. "The tour goes on," he said. "As far as staged baseball's first strike on May 18, 1912, It lasted one game and cost the participants \$100 we are concerned there is nothing in the FIFA constitution which can stop them doing this,
"The players are within their

rights in coming to South Africa as individuals to coach and play exhibiton games. The FIFA ban applies only to teams." Late Tuesday, the tour was

called off. In announcing the cancellation. Thabe said his council had no alternative but to abandon the tour because of pressure from the British clubs, the English FA all concerned far sooner. In 1974, FIFA expelled South Africa because of its "racist" poli-

The "new" Tigers lost, 24-2 Johnson slapped a \$100 fine on the strikers and threatened to continue cies. FIFA's authority has been inert to say the least, when it comes it on a day-by-day basis so long as to transgressions of its laws. But even Thabe finally saw it would not this time sit idly by. Detroit had an open date May For Joao Havelange, the 65-

year-old Brazilian lawyer who won his mandate as president in 1974, did so only after a long courtship of the black African vote. Somebow, one gets the feeling

that Havelange would, over the next few days, continue to hear exactly what Africans the who put him into office thought of FIFA-

registered players performing- in Jo-burg. Aside from the political aspects. what are the British players doing

in South Africa, anyhow? Aren't the poor, overworked English league lads supposed to be down on their knees and desperate for the meager summer break their £30,000-a-year limbs crave? Alas, had they been able to say they are coachine South African blacks in service of intergration and for no financial reward, they would have deserved sympathy.

Instead, especially since most of them are senior players nearing the winters of their careers, it would have been oo surprise if authority had wielded its biggest stick. Nordic Boot

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Equally, FIFA will have little choice in dealing in the toughest possible way with Norway's international goalkeeper Roy Amundsen a former wrestler who last weekend knocked down a referce and kicked him unconscious. The referce had attempted to send Amundsen off the field and is now recovering from a slight concussion and two broken ribs.

Whether it be the verbal abuse at Winthledon or the destructive boot in Norway, sport has a first duty to respect and protect the referce. It is surely time the players, no matter what their purses, are made to perform to the spirit and letter of the laws. Otherwise they destroy the game. As a postscript, we should ask whether clubs are capable of call-

ing the tune.

Johan Cruyff a week ago accepted Milan's \$100,000 to play a second-rate tournament in italy. He played half a game, argued that Milan knew perfectly well he was unfit after a thigh operation and, after forfeiting a hefty slice of his fee, agreed to another huge inducement to play for the North American Soccer League's Washington Diplomats next month.

A wonderful player, but one in decline, has the world's clubs in. the crock of his banking finger. No wonder they so little respect au-

NASL Standings

	w	L,	G.F	GA	BP	Pts
New York	15	4	50	24	4	131
Washington	9	8	29	27	25	7:
Montreal	8	8	27	23	23	. 73
Teronto	4	13	23	41	2	. 44
SOUT	HERN	OIV	/1510	N		٠.,
Attonia	9	8	34	29	30	.84
Ft. Louderdol	11	7	25	18	21	- 83
Jacksonville	9		24	23	21	71
Tampa Bay	B	11	27	38	24	
CEN	TRAL				-	
Chicogo	11	6	34	722	29	. 95
Tutsa	10	7	33	24	28	86
Minnesoto	9	ż	28	30	24.	
Dollas	2	15	10	38	-	. 49
	TERN				-	
Los Angeles	9	,	24	32	23	. 75
Son Diego	,	ă	29	26	24	
Son Jose	á	ÿ	24	31	23	
California	ž	10	22	31		
	HWEST					. 62
Vancouver	11		VISIO		'	-:
		6	34	18		96
Souttle	10	7	30	34		- 92
Portland	8		25	24	24	,72
Calacto	8	10	27	27		49
Edmonlon	٥	10	30	.AO	24 .	-60

"Apparently what was not known initially," Miller says, "is this is not a traditional labor-maned in baseball. It succors the own-That is only speculation. Mider, Cobb's teammates voted to agement situation, where the workdlesworth says baseball has been strike until b. was reinstated. ers, it scares the players and it has ers have a reopener clause to make repeatedly assured that it would be become an issue all by itself. Facing a \$1,000 forfeiture uader and FIFA. Thabe held out until It has also been suggested that this will be it for baseball insurdemands in a particular area and the 11th bour. The bandwriting on the wall should bave been clear to paid under the terms of the policy. league rules if he didn't field a team May 18, Manager Hughie then strike to enforce those de-The insurance companies aren't ance. Ray Grebey, the owners' mands. In this one, labor had no saying anything. Jennings recruited a team of reopener and no right to strike -

"We're trying to stay strictly away from addressing that kind of issue," Allianz's Prybutok said. "It is a very sensitive issue."

Talks Set for Wednesday

again, off-again negotiations to

NEW YORK (UPI) -- The on-

er, who is the only one with the option of triggering this situation, is being insured against such a sitsettle the baseball strike are on again — for Wednesday. Federal Johnson lifted Cobb's suspension mediator Kenneth Moffett, who six days later. opens up a whole can of worms in

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19 and Jennings managed to get the May 20 game rescheduled for a later date. On the night of May 20. the Tigers voted to end their strike.

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bookmakers. Assuming the owners do have what they and the insurance people agree they have — which is \$50 million in strike insurance — the owners have a buge advantage in a long strike. None of the owners

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Subsequently, Switzerland General, based in Tarrytown, N.Y., said it had canceled \$19.5 million **AUTO SHIPPING** ance company's hedging its bet by taking out a policy similar to the

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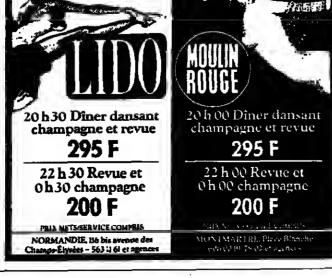
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Observer

The Zucchini Glut

By Russell Baker

TEW YORK - After hearing that a Japanese scientist had bred a square watermeloo, Prof. Waltoo C. Galinat, an agricultural geneticist, rolled up his sleeves and bred a square ear of corn. The press, of course, found it highly entertaining. Galioat received the ultimate in publicity, an entire page in People maga-

This passion for producing squared botanical edibles bas mesmerized our best minds ever since a scientist bred the square tomato several years ago. Even

then I could see that Galioat hated the idea that someone had beaten him to the square vegetable.

I was then trying to turn his genius to serious work for the good of mankind. It was elear to all studenis of vegetables that there was great work to be dooe with zucchini. I had come to Galinat with a proposal.

"Galinat," I said, "what is the most urgent problem in vegetables today?

"Zucchini, of course," he said. "All your friends grow zucchini all summer long, and one day they look out the window, and the zuechini is attacking the house, and they say, 'How in the name of Moloch, Baal and Beelzebub are we are going to get rid of all that zucchini? and then they say, 'Let's give it to our friends, and they bring it to your house, and —"
"Exactly, Galinat," I said, "Dozens of friends all solve the

zucchini problem the same way, and soon — well, you can't throw the zucchini away, can you, Galioat?

"In a world starved for food, that would be criminal," he said. "The only decent way out is to eat every last piece of that zucchini."

I outlined a solution. If he bred a zucchini that looked like a tomato, it would be totally consumed by tomato worms before it could ri-

He promised to start work immediately. Two months later, no progress. He had read about a sci-

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entist who produced a square to-mato and had been frittening away his time trying to breed a square

tomato worm.
"Shame, Galinat, shame!" I cried. "You have been playing. Zucchini is the problem. Not squareness."

* * *

I suggested that he take a new tack with the zucchini problem and breed a zucchini that tasted like honeydew melon. Making a zucchini taste like anything at all was an insuperable problem, he protested. "Try crossing it with a slice of prosciutto and maybe it will get the idea and start tasting like a melon," I suggested.
On my oext visit I was delighted

to find a giant elongated green plant which smelled very much like watermelon. 1 congratulated him as a hero of science and started to slice into his luscious new zucchini. "Don't cut my watermelon," he cried, "It's just been injected with boxwood seeds." "This is not a newly bred zucchi-

"it's a watermelon full of boxwood seeds."

"Boxwood seeds, Galinat?" He smiled slyly. "I think I'm on the way to breeding the square watermelon."

I took it away for his own good. "Someday you'll thank me for stopping this square passion of yours, Galinat," I told him, and gave him a new approach to the zucchini problem.

"Suppose you bred a zucchini that looked like corn silk," I whispered. "When brought to your house, much of it would blow away on the wind, some of it would fall into the cracks in the floor and be forgotten, and -"
"Yes, yes," he said, "and any

that got as far as the refrigerator could be stolen and smoked by small boys." When last I saw him be was

beaded into the corn patch fired with the urge to serve burnanity. You know the rest. His picture in People magazine bolding the square ear of corn. Another genius diverted from its destiny.

Shh! I must stop typing oow. My friend Lydon is outside with his truck. Yes, just as I suspected. Lydoo is unloading zucchini. If I am very quiet perhaps he will think I have left the country. New York Times Service

Some Giants of Literature Seen Through Two Prisms

By Hilton Kramer New York Times Service

NEW YORK — The Pierpont Morgan Library has fetched up from its vast storehouse of autograph manuscript materials an astonishing survey called "British Literary Manuscripts, 1800-1914." The cast of characters represented in this exhibition is pretty remarkable. Jane Austen and Sir Walter Scott, Charles Dickens and William Makepeace Thackeray, William Wordsworth, Thomas Babingtoo Macaulay and Samuel Taylor Coleridge are all in it, and - amoog authors from the other end of the period under review so are William Butler Yeats. James Joyce, H.G. Wells, Max Beerbohm and D.H. Lawrence. To accompany this rich an-

thology of literary manuscripts.

the Morgan has also mounted a

loan exhibition of David Levine's

caricatures of these same writers. Among them are some of the most accomplished — as well as some of the funniest -- caricatures this very prolific artist has produced in recent years. Even where one is inclined to dissent from Levine's characterization of certain writers — and one often is — it is nonetheless interesting lo compare one's own mental picture of an author with the graphic image created by this specialist in comic distortion.

Rich in Information

For anyone who has grown up. so to speak, with some of these great 19th-century writers, the "British Literary Manuscripts" show is not only rich in historical information, but also is curiously moving. To read a draft of John Keats' poem, "On First Looking Into Chapman's Homer" in the poet's own hand --- as one can at

the exhibition — turns out to be a more affecting experience than one quite expects it to be. The figure of the poet as a great classie of English literature suddenly dissolves in the presence of this manuscript, its place taken by a ghost of a very gifted young man struggling with his first major poetic utterance. The poem is not made greater, to be sure, but the pathos of its composition is made infinitely more vivid. There are certain manuscripts.

moreover, that are so revealing of certain aspects of the personalities of their authors that they are virtually a form of self-portraiture. What innocent reader of Thomas Babington Macaulay's "History of England" would ever have dreamed that the autograph manuscript of this monumental work looks a good deal more like a rough sketch for a Franz Kline paioting than like anything ressembling our cliche notions m Victorian rectitude and order? The large scrawling headlong haste in the writing with many words slashed and those remaining barely legible has a look of such extreme improvisation and disorder that we are scarcely able to square it with our impressions of Macaulay's measured prose. The wayward hand tells us something about Macaulay that the formal biterary style of the prose effectively conceals.

Untamed Quality

Io his caricature of Macaulay. Levine has very deftly captured something of this untamed quality in the man, while at the same time conveying a sense of the solemnity of the writer. This is a case where the artist's drawing nicely aligns itself with the personality we glimpse on the manu-script page. Yet in turning from the manuscript to the caricature, we also discover the limits of the caricature as a mode of critical discourse. For it is unquestionably the manuscript that leaves us with the more vivid sense of the writer's contradictory traits. The drawing is more amusing, but the manuscript, oddly enough, is more dramatic in its revelations. Of all the manuscripts dis-

Levine makes him out to be. But makes a more exquisite impreswithout some hint of the aesthete sion on the eye than the page from Arnold Bennett's autograph manuscript of his novel "Clayin Bennett, without some sense of the serious literary artist, no hanger," from the year 1910. The account of the man is complete - and it is this aspect of Bennett hand is so beautiful, the line so that is missing from Levine's drawing. In this case he has set-tled for the standard view. orderly, the placement of the words so confident and the very quality of the paper so elegant Elsewhere among the drawings that we are left, somewhat to our surprise, with an impression of extreme aestheticism — not there are some quite wonderful images of George Eliot, Oscar Wilde, Charles Dickens, H.G.

something generally associated

with this notoriously successful

author. And the aesthetic look of

the manuscript is all the more

amazing when we discover the

rate of speed at which Bennett customarily wrote his books. The first 40,000 words of "Clay-

hanger," for example — the man-

uscript in this exhibition - were

written in little more than a

month. That is a production

schedule that leaves one's hand

aching even to think about - yet

with what a calm, unhurried

splendidly formed calligraphy

Complex Figure

Levine's caricature bears little re-

lation to the personality we

glimpse in the writing, however,

the self-satisfied, prosperous hack invented by his Bloomsbury

enemies. (It bears a certain re-

semblance to some of Max Beer-

bohm's caricatures of Bennett,

too.) Bennett was a very complex

figure — a self-made man and a

highly successful writer, who at

Levine's Bennett looks more like

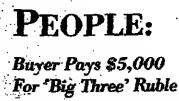
The Arnold Bennett we see in

Bennett accomplished it.

Levine's Macauley, with page from his "History of England."

Wells, Leslie Stephen - Stephen's dolorous personality is very graphically captured — and many other literary eminences, and the whole show of them is vastly entertaining for anyone who knows their work. Yet it is to the manuscripts that we return for a sustained account of the real life of the literary mind Whether it is a poem by Emily Bronte in which the tiny words line up like minuscule insects in bizarre formation or a page from Thackeray's "Vanity Fair" in which the drawing of a face suddenly looms among the words marching across the paper, these manuscripts recall us to the labor, the isolation, the concentration - the heroism - of the literary vecation. Somehow one doubts that the printouts now being coughed up by word-processing machines are going to mean quite as much to future. readers.

"British Literary Manuscripts, 1800-1914" and "David Levine; Caricatures of British Authors" remain on view at the Morgan Library through July 31.



Christopher Fave of Mankato, Minn., paid \$5,000 for 8 10-ruble note signed by Winston Churchill, Franklin D. Roosevelt and Joseph Stalin at the Sotheby Parke Bernet auction of Printed and Manuscript ruble bank note, worth \$6.50 at today's exchange rate, was signed by the three leaders at the Yalta conference in 1945. It is believed to be the only item containing the three men's signatures, according to i Sotheby's. The autographs were obtained by Harry L. Hopkins, Roosevelt's special assistant, for his teen-age son. Robert. Fave also paid \$700 for a rare letter by New York state Supreme Court Justice Joseph Force Crater, who disappeared in 1930. The three-page Crater letter is the last known to have been written by the judge and the only Crater autograph ever to come to aoction. He was last seen stepping into a taxi io Manhattan. It says in part: "The following money is due me from the persons oamed. Get in touch with them for they will surely pay their debts ... It concludes: "Am ... debts It concludes: "Am very weary Love, Joe. This is all confidential."

Former U.S. first lady Bess Truman, 96, bas returned home. Mrs. Truman was hospitalized in Independeoce, Mo., on May 6 when she broke her right hip in a fall while attempting to get out of bed. She underwent surgery May 7.

Prince Charles and former King Constantine of Greece, who lives in England, dived 40 feet to the wrece of a toth-century warship the Mary Rose, and spotted the skeletons of some of the 600 crewmen who went down. They took the dive in a waterway linking Portsmouth to the English Chan-nel. The ship sank in 1545 during a battle with the French. The 32year-old beir to the British throne is president of the Mary Rose Trust Fund, which is seeking \$6: million to pay for raising the wreck and exhibiting it in a museum.

Former French President Valery Giscard d'Estaing and his wife, Anne-Aymone, arrived in Athens' for a 10-day private visit to.

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